



## Doing Business in HONDURAS:

### 2012 Country Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business In HONDURAS

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### Market Overview

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The U.S. is the chief trading partner for Honduras, supplying 46.2 percent of Honduran imports and purchasing 33.4 percent of Honduran exports in 2011 (excluding maquila trade). Bilateral trade between the two nations totaled \$10.6 billion in 2011. U.S. exports to Honduras continued to perform well in 2011 reaching \$6.1 billion, an increase of 33 percent over 2010.

On August 5, 2004, the United States signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic. CAFTA-DR eliminates most tariffs and other barriers for U.S. goods destined for the Central American market, provides protection for U.S. investments and intellectual property, and creates more transparent rules and procedures for conducting business. CAFTA-DR also aims to eliminate intra-Central American tariffs and facilitate increased regional trade, benefiting U.S. companies manufacturing in Honduras. With CAFTA-DR implemented, about 80 percent of U.S. goods now enter the region duty-free, with tariffs on the remaining 20 percent to be phased out by 2016.

The Government of Honduras views foreign investment as crucial for economic growth and development. In 2010, it began to draft new laws to improve the legal framework and incentives for investment in Honduras. A Public-Private Partnership law was passed in August 2010 and an Hourly Employment Law was approved in November 2010. In May 2011, the Honduran National Congress approved a new Investment and Protection and Promotion Law, aimed at improving conditions for investing in Honduras. The Government of Honduras is also in the process of creating a “Single Window” for foreign direct investment.

More than 150 American companies are currently operating in Honduras. According to the U.S. Department of Commerce/Bureau of Economic Analysis, the stock of U.S. investment in Honduras was \$1,027 billion (on a historical cost basis) at the end of 2010. Foreign Direct Investment (FDI) in Honduras totaled USD \$687 million in 2010, an increase of 37.3 percent from 2009.

In 2011, the Honduran economy continued its modest recovery from the effects of the global economic crisis and the 2009 coup d'état, both of which created an atmosphere of uncertainty leading to a virtual halt in international and domestic investment. GDP growth for 2010 was 2.8 percent, following a 2.1 percent contraction of GDP in 2009.

Preliminary estimates indicate that the GDP grew at approximately 3 to 3.5 percent in 2011.

Honduras, with an estimated per capita GDP of USD 2,105 in 2011, is one of the poorest countries in the Western Hemisphere, with about 65 percent of the population living in poverty. Roughly 1 million Hondurans have migrated to the United States. Remittance inflows from Hondurans living abroad, mostly in the United States, are the largest source of foreign income and a major contributor to domestic demand. Remittances totaled USD 2.8 billion in 2011, up 10.7 percent from 2010 levels; this is equivalent to almost one-fifth of Honduras' GDP.

The CAFTA-DR region overall enjoys relative stability. Other factors that make the CAFTA-DR markets attractive for U.S. exporters include proximity to the U.S., and adequate port infrastructure. Despite the economic downturn in 2009, the region as a whole achieved 0.6 percent GDP growth. Further regional integration could spur investment, growth, trade and continued market opportunities for U.S. firms in coming years.

### **Market Challenges**

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The Honduran government is open to foreign investment, with limited restrictions and performance requirements, although some U.S. investors have experienced long waiting periods for environmental permits and other regulatory and legislative approvals. Honduras' investment climate is hampered by high levels of crime, a weak judicial system, corruption, low education levels and poor transportation and other infrastructure.

U.S. firms and citizens have found corruption to be a serious problem and a constraint to successful investment in Honduras. Honduras' judicial system is widely perceived to be subject to outside influence, and the resolution of investment and business disputes involving foreigners is largely nontransparent. In its 2011 Corruptions Perceptions Index, Transparency International ranked Honduras 129<sup>th</sup> out of 183 countries (#1 being the least corrupt). This has affected Honduras' ability to attract foreign investment. The country ranks 131<sup>st</sup> out of 183 countries (#1 being the best) in the 2011 World Bank Doing Business Index.

Personal security is also a major concern in Honduras, with theft, pickpocketing, and armed robberies occurring frequently in urban areas. Furthermore, Honduras' already high rates of murder and other violent crimes are rising. The murder rate is one of the highest in the hemisphere. American tourists and business people are not generally targeted because of their nationality, but some have fallen victim due to their relative wealth and the high overall incidence of crime.

### **Market Opportunities**

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Honduras, located in the heart of Latin America, is only at a 2-hour flight from several U.S. gateway cities, and 48 to 72 hours by sea. With the lowest logistical costs in the region, Honduras also serves as a distribution platform for the rest of Central America. Puerto Cortés, the largest deep-water port in the region, is the first port in Latin America to qualify under both the Megaports and Container Security Initiatives (CSI), which now

make approximately 90 percent of all transatlantic and transpacific cargo imported into the U.S. subject to prescreening prior to import.

Regionalization is quickly becoming a common business practice. Central America offers a market of 32 million people with annual manufactured imports from the U.S. totaling more than \$19 billion. This makes Central America a better market for U.S. exporters than many other markets where the competition and travel distance is much greater.

Factories and distribution facilities are located to serve the regional market. Rarely does a U.S. businessperson visit just one Central American country. New investors weigh the advantages each country offers as they seek locations for new plants. Regional managers with responsibilities for multiple countries within the market are becoming the norm. Trade among Central American countries has increased dramatically.

Leading U.S. exports in 2011 included petroleum products, textile and fabrics, cotton yarn, electrical equipment, chemicals, manmade staple fibers, computer and electronic products, machinery, food products and cereals (corn, wheat, rice).

Nearly all textile and apparel goods that meet CAFTA-DR's rules of origin became duty-free and quota-free immediately, thus promoting new opportunities for U.S. fiber, yarn, fabric, and apparel manufacturers. Honduras is the seventh largest exporter of apparel and textile products by volume to the U.S. market behind countries such as Mexico and China, and first among Central American and Caribbean countries.

## **Market Entry Strategy**

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For marketing purposes, Honduras can be divided into two regions: the North Coast, including San Pedro Sula, the country's commercial and industrial capital; and the Central region, where Tegucigalpa, the political capital and largest city, is located. Tegucigalpa and San Pedro Sula are the major distribution centers for imported goods. A single distributor or representative is sufficient to cover all of Honduras.

Price is among the most important selling factors in Honduras. In many cases, Honduran business people buy directly from the source if they feel that the cost-savings are sufficiently advantageous. The local banking system is traditionally conservative and generally extends only limited amounts of credit, though looser monetary policies and increased competition from regional and international banks have led to some expansions of consumer credit. U.S. exporters that offer attractive financing terms on sales to Honduran traders have the best chance of gaining market share.

According to the 2011 World Bank Doing Business Index, the time required for establishing an enterprise in Honduras was reduced to an average of 14 days since 2009 from 21 days in 2008 and significantly less than the average of 62 days in 2005 (the Latin America and Caribbean average is 54 days).

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of Honduras, please click on the link below for U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/1922.htm>

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### Using an Agent or Distributor

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The civil and commercial codes, Decree Law No. 549, Official Register (La Gaceta) No. 22366, of December 7, 1977, govern the principal-agent relationship in Honduras. This law, entitled "Law on Agents, Distributors and Representatives of Domestic and Foreign Companies," includes a provision for penalties for wrongful termination that discourages exclusive distribution agreements. For new-to-market or new-to-export companies, authorized distributorship arrangements or renewable periods of representation are recommended over exclusivity contracts, unless the relationship has proven to be stable and profitable for both parties. For contractual relations entered into after the date of entry into force of the CAFTA-DR Agreement (April 1, 2006), the following special regime obligations apply:

Honduras may not require that a representative, agent, or distributor be a national of Honduras or an enterprise controlled by Honduras nationals;

Honduras may not require a goods or service supplier of another Party to supply such goods or services in Honduras by means of a representative, agent, or distributor, except as otherwise provided by law for reasons of health, safety, or consumer protection;

Honduras shall provide that: the fact that a contract of representation, distribution, or agency has reached its termination date shall be considered just cause for goods or service supplier of another Party to terminate the contract or allow the contract to expire without renewal; and any damages or indemnity for terminating a contract of representation, distribution, or agency, or allowing it to expire without renewal, without just cause shall be based on the general law of contracts;

Honduras shall provide that: if the amount and form of any indemnification payment is not established in a contract of representation, distribution, or agency and a party wishes to terminate the contract: the parties may agree to resolve any dispute regarding such payment in the Center for Conciliation and Arbitration of Honduras, or if the parties agree otherwise, to another arbitration center; and in such proceeding general principles of contract law will be applied; in any decision awarding an indemnity calculated under Article 14 of Decree Law No. 549, the amount shall be calculated as of the date of entry into force of the CAFTA-DR Agreement, expressed in terms of Honduran Lempiras as of that date, and converted into U.S. dollars at the exchange rate in effect on the date of the decision. Decree Law No. 549 applies to a contract only if the representative, distributor, or agent has registered with the Ministry of Industry & Trade (SIC).

Although a U.S. firm may export directly to Honduran companies, appointing a local agent, representative, or legal advisor is strongly recommended to help with import procedures, sales promotion and after-sales service. Independent intermediaries are especially important for smaller companies, as their knowledge of the market and of the relevant business customs and practices adds to the strength of the U.S. manufacturer/exporter. U.S. companies are advised to evaluate local prospects in terms of the services and benefits provided, considering factors such as location, financial strength, quality of the sales force, warehousing facilities, reputation in the market, outlay on advertising, product compatibility and overall experience. Prior to entering into a commercial relationship, U.S. companies should visit potential partners or agents in Honduras.

Renewable periods for representation and non-exclusive relationships are strongly recommended when drawing up the agent/distributor agreement. After successfully locating prospective intermediaries, U.S. exporters should contact a Honduran lawyer for assistance with key issues such as contract arrangements, taxation, residence permits, and advice on protection of intellectual property. The Embassy Commercial, Economic, and Consular Sections can provide a list of attorneys (see web resources section). A written agreement often avoids later disputes and misunderstandings between the U.S. firm and the local partner. Both of the country's largest chambers of commerce, the Chamber of Commerce and Industry of Tegucigalpa (CCIT) and the Chamber of Commerce and Industry of Cortés (CCIC), have established International Arbitration Centers for alternative dispute resolution.

Exporters of pharmaceuticals, agro-chemicals, food items, animal feeds and medicines are required to register their products before they can be sold in the Honduran marketplace. Pharmaceuticals, food items and medicine-related products must be registered with the Ministry of Public Health. Agro-chemicals and animal feeds must be registered with the Ministry of Environment and Natural Resources.

In compliance with the CAFTA-DR agreement, U.S. firms are no longer required to participate in public tenders through a local authorized agent or representative. In terms of participation in international public bids in general, foreign firms engaged in the execution of construction, design, consulting, and rehabilitation projects are required, under the State Contracting Law, to register provisionally at the Company Registration and Classification Committee of Civil Engineers (CIRCE). Once a contract for a specific project has been awarded, foreign firms are required to register on a permanent basis with the Honduran Organization of Civil Engineers (CICH). In general, since the time frame between the public bid announcement and the presentation of bids is often short,

having a local partner enhances the U.S. firm's ability to prepare a competitive offer.

Selection of the appropriate agent or distributor requires time and effort. The U.S. Department of Commerce offers several services to U.S. firms interested in finding a partner or distributor for their product or service. The U.S. Commercial Service (USCS) offers free and intensive one-on-one counseling plus low-cost, highly effective programs to help U.S. businesses establish or expand their foreign markets. The Commercial Section of the Embassy can locate interested, qualified representatives in potential markets in Honduras through its International Partner Search (IPS) service. A U.S. firm may also check the background and reputation of a prospective partner through the International Company Profile Report (ICP). Through its Gold Key Service, the Commercial Section can schedule appointments, arrange translators and make reservations for U.S. businesses searching for partners or customers in Honduras. The IPS and ICP, as well as other valuable services, are also available for a nominal fee through the U.S. Export Assistance Centers (USEACs) of the U.S. Department of Commerce, located in 111 U.S. cities. For additional information on export-related assistance and market information offered by the federal government, U.S. companies may visit [www.export.gov](http://www.export.gov) or call 1-800-USA-TRADE.

## **Establishing an Office**

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Efforts are underway in Honduras to streamline registration requirements for establishing an office. An important step in this regard has been enactment of a law on simplification of administrative procedures in setting up a company (Article 308 of the Commercial Code, Decree No. 255-2002), as well as the establishment for a "Single Window" for Investors" (Investment Protection & Promotion Law 2011). Significant improvements have been made in eliminating a series of long and costly administrative obstacles. Through efforts led by the Foundation for Investment and Export Development (FIDE) and the National Competitiveness Program, and in collaboration with the Chamber of Commerce of Tegucigalpa (CCIT), the steps for launching a business in Honduras have been reduced from 62 days in 2005 to an average of 14 days in 2011.

In recent years, Honduras has reformed and improved its position of "ease of doing business" in the following four major areas: starting a business, dealing with licenses, getting credit, and registering property. One area which still needs further improvements is the efficiency of contract enforcement in Honduras (which is measured by the time, cost, and number of procedures involved in the evolution of trade disputes).

Foreign businesses setting up operations in Honduras are subject to the Commercial Code, which recognizes several types of mercantile organizations: individual ownership, general partnership, simple limited partnership, Limited Liability Company (LLC), corporation and joint stock company. The most common and economically significant legal entities are corporations (*sociedad anónima*, or SA) and Limited Liability Companies (*sociedad de responsabilidad limitada*, or SRL). Starting capital for a limited liability company should be no less than 5,000 lempiras (approximately \$265) and include at least two partners at all times. Required starting capital for a stock company or corporation is 25,000 lempiras (approximately \$1,315) and include at least five partners at all times.

An Environmental Impact Assessment, obtained through the Ministry of Natural



Resources and the Environment (SERNA), is an important requirement for any project, industrial facility, or other public or private activity that could generate potential harm to the environment, natural resources, or national cultural and historical sites. Additional information for doing business in Honduras, as it pertains to the specific requirements for different sectors of investment, is available through the Ministry of Industry and Trade (SIC) at <http://www.sic.gob.hn>.

The following information prepared by the World Bank summarizes the steps involved in setting up a business in Honduras (based on a Limited Liability Company). Thanks to an innovative partnership with the Government of Honduras, some of these 13 steps can be handled by the Chamber of Commerce of Tegucigalpa, slightly reducing the time and effort required to establish a business:

1. Procure a certificate of deposit at a local bank; pay the registry fee.

Time to complete: 1 day; Cost to complete: no charge

2. Establish the company before a Notary Public, who will draw up the instrument of organization.

Time to complete: 2 days; Cost to complete: notary fees of 5 percent for up to Lps.25,000 and 3 percent over Lps.25,000 of starting capital.

Comment: The process is known as Simultaneous Organization ("Fundación Simultánea"). The company may be established as: a) Simultaneous Organization; or, b) Public Subscription. The constitution instrument should be written in a special paper called stamped paper ("Papel Sellado"). The sealed paper has a value of Lps. 5. It is used by the Notary Public for its protocol, which entails the collection of original signed documents in notary custody, as well as the "Testimonio," or the copy that will be filed with the civil judge for Commercial Registry.

3. Request an authorization to conduct commercial activities in Honduras from the Ministry of Industry and Trade (SIC). Publish the registration notice in "La Gaceta", the official legal journal, or a widely circulated daily newspaper.

Time to complete: 1 day; Cost to complete: \$35 for advertising in "La Gaceta;" \$ 15 for a local newspaper.

4. Purchase the contract and bar stamps from commercial banks.

Time to complete: 1 day; Cost to complete: provided below.

Comment: Registry Stamps and Contract Stamps are printed in the same paper and design. They can be bought at the Honduran Central Bank (Banco Central de Honduras) or through the national banking system. Bar Stamps (Timbres del Colegio de Abogados) have their own unique design and values and can be procured through either Banco Atlántida S.A. or Banco de Occidente.

5. File the articles of incorporation with the Mercantile Registry. There are 24 public registry centers throughout the country. For the capital city and San Pedro Sula, this step is conducted at the Chamber of Commerce of Tegucigalpa (CCIT) and the Chamber of Commerce of Cortés (CCIC), respectively. For the rest of the country, it is conducted at the registry centers of the Property Office.

Time to complete: 2 days

Cost to complete: Lps.1.50 for each Lps.1,000 of corporation capital (Derechos de registro/registration fees) plus Lps.30 for the first Lps.300,000 of capital and Lps.10 for

each Lps.100,000 after Lps.300,000 thereafter (Bar stamps/Timbres del Colegio de Abogados).

6. Apply for a tax identification code (Registro Tributario Nacional, RTN) at the Dirección Ejecutiva de Ingresos (DEI), Ministry of Finance.

Time to complete: 1 day; Cost to complete: no charge

Comment: All natural or juridical persons must obtain a RTN. In order to obtain the RTN, the Notary who authorizes the incorporation deed must send a note to the administrative authority informing them of said incorporation.

7. Acquire legal accounting and “minutes” books

Time to complete: 1 day; Cost to complete: approximately \$180

Comment: The minutes books can now be authorized as separate bound sheets.

8. Register with local and national Chambers of Commerce.

Time to complete: 1 day; Cost to complete: nominal

9. Apply for an operational permit (Permiso de Operación) from municipal authorities. This step can now be conducted directly by the company, without the services of an attorney.

Time to complete: 1 day (prior to February 2007, it took 35 days); Approximate cost: Lps. 1,250 + Lps. 1,000 for professional fee.

Comment: To obtain the operational permit, it is necessary to fulfill some or all of the following requirements, depending on the type of industrial or commercial activity:

- a) Copies of the personal identification card and municipality tax solvency of the General Manager;
- b) Copy of the RTN;
- c) Copy of the company's articles of incorporation (Escritura de constitución de la compañía)
- d) Copy of the cadastral code (Clave cadastral) corresponding to the place in which the corporation will operate its business;
- e) Zoning record;
- f) Environmental impact assessment;
- g) Tenancy agreement and income tax solvency record of the owner of the place in where the corporation will operate;
- h) Cadastral inspection in the place in which the corporation will operate its business;
- i) Payment of the following taxes (approximate total cost of Lps. 1,250):  
nomenclature taxes; zoning tax; inspection tax; code tax; environmental tax; annual fire department and garbage department taxes.

10. Register for sales tax and acquire authorization of the company books

Time to complete: 2 days, simultaneous with step 9

Cost to complete: nominal

Comment: According to the Tax Code (Código Tributario), corporations are required to file their constitution instrument and operation permits with the Minister of Finance, in order to pay sales taxes imposed on the sale of goods or services.

11. \*Register with the Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS)

Time to complete: 3 days (simultaneous with step 9); Cost to complete: No charge

Comment: IHSS is the national social security hospital and patient care institution for company workers and their dependants. Corporations are required to contribute 5 percent of each employee's salary for illness and maternity (Enfermedad y Maternidad, EM), plus 2 percent for disability, old age and death, (Invalidez, vejez y muerte, IVM).

12. \*Register with the National Vocational Training Institute (Instituto Nacional de Formación Profesional (INFOP)

Time to complete: 1 day (simultaneous with step 9); Cost to complete: No charge

Comment: Employers are required to contribute 1 percent of the company's total payroll to INFOP.

13. \*Register with the Social Housing Fund (Régimen de Aportación, (RAP) al Fondo Social de la Vivienda (FOSOSVI))

Time to complete: 1 day (simultaneous with step 9); Cost to complete: No charge

Comment: If a corporation has more than 10 employees, it is required to contribute 1.5 percent of each employee's salary.

Note: Steps marked with an asterisk (\*) may be completed simultaneously.

#### **Additional Sources of Information:**

World Bank/Doing Business

<http://www.doingbusiness.org>

FIDE-Investment & Exports

<http://www.hondurasinfo.hn>

Ministry of Industry and Trade (SIC)

<http://www.sic.gob.hn>

Property Office (Mercantile Registry)

<http://www.ip.hn>

Chamber of Commerce and Industry of Tegucigalpa

<http://www.ccit.hn>

Chamber of Commerce and Industry of Cortés

<http://www.ccichonduras.org>

## **Franchising**

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In recent years the number of U.S. franchises operating in Honduras has grown rapidly. About 65 foreign firms now operate in Honduras under franchising agreements. The majority are fast-food and casual restaurants, such as Chili's, T.G.I. Friday's, Applebee's, Tony Roma's, Ruby Tuesday, UNO Chicago Grill, Pizza Hut, Burger King, McDonald's, Wendy's, Subway, Church's Chicken, Sbarro, Chester's, Cinnabon, Auntie Anne's Pretzels, Popeye's, Domino's Pizza, Quiznos, Dunkin Donuts/Baskin-Robbins, Little Caesar's and Kentucky Fried Chicken (KFC). Among other foreign businesses operating under franchise agreements are automotive aftermarket services, clothing, movies and entertainment, children's services, cleaning and pest control, health and fitness, electronics, cosmetics and toiletries, business services, convenience stores, dry-cleaning, car rental, mailing, and fast-printing. In addition, several major hotel chains have entered the market through either the construction of new facilities or acquisition of existing properties. These include Inter-Continental Hotels Group (InterContinental, Crowne Plaza, and Holiday Inn), Choice Hotels International (Clarion), and Marriott

International. Demand in this sector has generally been spurred by local need for quick services, convenient hours and locations, quality products, and most importantly, solid customer service. Honduras has no locally developed franchises.

Franchising presents opportunities for growth and expansion of U.S. business. Regional stability and increased investor confidence have contributed directly to the broad availability of U.S. franchises in various economic activities. For franchisers in Honduras, positive market entry factors include availability of suppliers and personnel, absence of trade barriers, and high receptivity to U.S. goods and services (especially if no equivalent local product or service exists). In addition, CAFTA-DR and the new Investment Protection and Promotion Law (2011) provide for national treatment for most foreign direct investment, guaranteeing foreigners the right to freely establish, acquire, and dispose of interests in business enterprises within constitutional bounds.

Finding the right partner will determine the ultimate success or failure of a franchise venture in Honduras, thus potential franchisees must be carefully selected. The most promising candidates are those with proven financial resources who have already established a successful business in the country.

## **Direct Marketing**

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Direct marketing is becoming a widely used concept in Honduras, particularly in connection to internet-based products and mobile devices. Other mail delivery infrastructures are still lagging behind. For example, obtaining reliable street addresses is problematic, as the use of “reference” addresses (and not street names and numbers) is common practice. Mail advertising of products and services is increasing, and is generally conducted through e-marketing, credit card companies, and financial institutions. Local company listings and mailing information can be obtained through chambers of commerce and industry associations.

Although internet-based direct marketing solutions are rapidly evolving and the number of Hondurans who are regularly on-line is increasing, internet access in Honduras is still low. International Telecommunications Union (ITU) 2010 data reports an estimated 11.09 users per 100 inhabitants.

Overall growth in cable TV and internet subscriber markets is creating increased opportunities for direct TV sales and e-mail-based promotional campaigns. TV Offer, Ofertel (direct response TV), Avon Oriflame and Rommanel (catalog and door-to-door sales) are among the companies that currently utilize non-conventional distribution channels). Mobile operators are also utilizing direct marketing tools, such as text messaging, for advertisement purposes.

Only a relatively small percentage of Honduran businesses are currently utilizing call centers to interact with their customers. Call centers are most common for airlines, commercial banks and insurance companies, which are generally not operated locally.

The Honduran Investment Law (Decrees #80-92) allows foreign investment and joint ventures between national and foreign investors through the execution of contracts whereby the contracting parties may contribute land, capital, services, technology, technical assistance or other assets for the production or marketing of goods and services. Licensing agreements, in which foreign firms are authorized to produce a patented product in exchange for royalty payments, are also guaranteed under the country's regulatory framework for investment. Laws applicable to joint venture and sharing contracts are also contained in Chapter XIII, Title II, Book IV of the Commercial Code. Joint ventures are commonly established in Honduras to compete for government contracts or in heavily regulated sectors.

Joint venture initiatives offer a wide variety of opportunities for investment and strategic alliances. The Investment Law stipulates that, with few exceptions, there are no limits on the percentage of capital that can be owned by a foreigner. Although no special policy exists to regulate joint ventures, in certain sectors majority control must be in the hands of Honduran nationals. These exceptions include companies that wish to take advantage of the Agrarian Reform Law; wish to obtain commercial fishing rights; are local transportation companies; or seek to operate radio or TV stations. The greatest opportunities for joint ventures are in the industrial, agricultural, tourism, power generation, forestry, construction, and service sectors. The Commercial Section regularly submits reports to the Department of Commerce regarding Honduran firms interested in pursuing joint ventures.

The Foundation for Investment and Development of Exports (FIDE) supports the development of new export and investment sectors, works with local businesses to strengthen their capacity to attract foreign joint venture partners, and locates appropriate manufacturing facilities for investors. Additional information on FIDE's investment promotion programs is available at <http://www.hondurasinfo.hn>.

The Constitution of Honduras requires that all foreign investment complement, but not substitute for, national investment. In certain types of industries, majority Honduran ownership is required (see section VII, Investment Climate, Openness to Foreign Investment). There are also limits on the amount of land a single corporation may own.

Licensing of foreigners to practice law, medicine, engineering, and other professions is tightly regulated by national professional organizations. Most bodies have developed procedures for the temporary licensing for foreign professional service.

Except for foreign currency earned by companies operating in free-trade zones and industrial parks, Honduran law dictates that all export foreign exchange earnings be repatriated. The liberalization of Honduras's foreign exchange regime now makes it easier for companies operating in the country to remit dividends and royalties, return capital overseas, and make payments on foreign debt. Foreign exchange authorizations by the Central Bank have been eliminated, and foreign debt authorizations now take less than 48 hours to obtain. Remittances of dividends and royalties must still be approved by the Central Bank.

Taxation is an important issue to consider when investing in Honduras. The Financial Balance and Social Protection Act, Decree 194-2002 of June 5, 2002, introduced

changes to the income tax, business assets tax, sales tax and car registration duties. Decree 131-98 of May 20, 1998 established a 4 percent tax on tourism-related services (including hotel accommodations, car rentals, and travel agents). Hotels and lodging facilities that serve low-income clientele and are designated by the Honduran Ministry of Tourism are exempt.

The corporate tax rate is 25 percent of gross taxable income. Except for firms operating in the industrial parks, located in the free tourism zones (ZOLT) or under the Temporary Import Regime, income tax is payable on income derived from operations within Honduras. The annual period for computing the tax on taxable income begins on January first (1) and ends on December thirty-first (31).

Non-resident aliens (and foreign companies not located in Export Processing Zones or Free Trade Zones) are only taxed on the gross income earned in Honduras. A 25 percent income tax is assessed on royalties for use of copyrights, patents, trademarks, and designs. Wages, salaries, commissions, or any other types of compensation are taxed at 35 percent. Capital gains are taxed as normal income, while capital losses can be used to offset capital gains only from the same period. Income from public shows is taxed at 30 percent, and insurance premiums at 15 percent. Honduras also collects excise, property, and municipal taxes based on income obtained during the previous year.

Other percentages taxed on gross income earned in Honduras include films and videotapes for movies and television: 10 percent; royalties for mining, quarrying and other natural resource operations: 10 percent; income from the operation of airplanes, vessels and land vehicles: 10 percent; income from operations of communication firms: 5 percent; interest earned on bonds, notes, securities, and other obligations: 5 percent; any other income not covered above: 20 percent.

Public or private legal, juridical or conventional persons who make payments or grant credits to natural/individual or legal, juridical or conventional persons who are residents of Honduras but who are not exempt from the income tax, must withhold and pay to the tax authorities 12.5 percent of payments made or credits granted for professional fees, per diem allowances, commissions, awards, bonuses, and remuneration for technical services. Payments made under labor contracts entered into during the fiscal year, the fees for which are the sole source of income and do not exceed Lps. 90,000.00, are exempt.

A 1 percent tax on net assets in Honduras applies to companies whose capital is greater than Lps. 750,000. However, the income tax paid by these companies is credited against the net assets tax, and many companies do not have any additional liability. Exempt from the net asset tax are individuals whose total net assets do not exceed Lps 3,000,000 (\$158,000); businesses in pre-operative stages; businesses operating in free trade zones, industrial processing zones, tourism free zones and maquilas; banks, financial and insurance companies, investments in securities and holding companies. Income tax paid during the previous year constitutes a credit in favor of the net assets tax.

There are no tax treaties between the U.S. and Honduras other than the Tax Information Exchange Agreement (TIEA), signed between the United States and Honduras in 1991.

Honduras is subject to all government procurement provisions contained in CAFTA-DR. CAFTA-DR eliminated a local requirement that required foreign firms to act through a local agent (who was at least 51 percent Honduran-owned). CAFTA-DR requires fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures. Under CAFTA-DR, U.S. suppliers are permitted to bid on procurements covered by the agreement for most Honduran government entities, including most key ministries, on the same basis as Honduran suppliers. The anti-corruption provisions in the agreement require each government to ensure that bribery in matters affecting trade and investment, including in government procurement, is treated as a criminal offense, or is subject to comparable penalties, under local law.

Foreign companies may appoint a local representative, through a power of attorney, to help them navigate the procurement maze. Bids are evaluated based on cost, delivery time, reputation of the firm, technical support, performance in previous contracts and specific aspects related to each particular bid. Honduras is not a signatory to the WTO Multilateral Agreement on Government Procurement (GPA), and as such does not necessarily use the same procedures as other signatories.

Under the Government Contracting Law, which entered into force in October 2001, all public works contracts over one million Lempiras (approximately \$53,000 as of March 2009) must be offered through public competitive bidding. Public works contracts between 500,000 and one million Lempiras (\$26,000 and \$53,000) can be offered through a private bid. Contracts less than Lps. 500,000 (\$26,000) are exempt from the bidding process. Government purchases and project acquisitions are generally exempted from import duties.

Winning contracts with the Honduran government can be challenging, even for large companies. Some foreign firms have complained of mismanagement, bureaucratic delays, inadequate notification procedures, excessive direct contracting on the part of the Honduran Government, and lack of transparency in the bidding process. One way in which the Honduras government has tried to improve transparency and fairness in government procurement, however, is by contracting with the United Nations Development Program (UNDP) to manage procurement for a number of specific projects and state-owned entities. In 2010, the Government of Honduras passed a Public-Private Partnership Law, which authorized the creation of a government entity (COALIANZA) to manage and facilitate the public-private partnership solicitation process. While government procurement in the for of PPPs are stil managed by other government entities, a government mechanism for PPPs now exists where there was not one before.

Efforts for strengthening the country's procurement systems are also underway. In order to facilitate dissemination of public bidding opportunities, the Honduran government recently established an online Contracting and Procurement Information System known as "Hondocompras", which can be accessed at [www.hondocompras.gob.hn](http://www.hondocompras.gob.hn) and is administered by the State Procurement Agency (ONCAE). In January 2008, as part of ONCAE's State Contracting and Procurement Efficiency Program, Honduras implemented a new national "Standard Bidding Document" that is deemed acceptable to



multilateral financing entities such as the Inter-American Development Bank (IADB) and the World Bank. It improved several aspects of the government procurement process. Local government tender announcements and other pre-qualified trade opportunities may also be accessed through the Trade Leads Program database of the U.S. Department of Commerce at [www.export.gov](http://www.export.gov).

## **Distribution and Sales Channels**

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Located in the heart of Central America, Honduras is only at a 2-3 hour flight from several U.S. gateway cities, and 48 to 72 hours navigation time to ports in the southeastern U.S. With the lowest logistical costs in the region, Honduras is also a distribution platform for the rest of Central America. Honduras has ports on both the Atlantic and Pacific Oceans that are served by a number of shipping companies linking the country with the U.S., Europe, Asia, and the rest of the Western Hemisphere. The northern port of Puerto Cortés, located 34 miles (55 km.) from the industrial city of San Pedro Sula, is Honduras' principal seaport and the largest deep-water port in the region. It manages over 80 percent of the maritime traffic handled by Honduras, plus cargo from El Salvador and Nicaragua. Puerto Cortés operates 24 hours a day and is the first port in Latin America to qualify under both the Megaports and Container Security Initiatives (CSI). These initiatives allow approximately 90 percent of all transatlantic and transpacific cargo imported into the U.S. to be prescreened prior to importation.

Honduras also has a 13,603 km official road network connecting the ports and airports with the secondary cities and rural areas of the country. It has good surface connections with the rest of Central America, and the domestic road network has generally satisfied local and foreign companies' distribution and transportation needs. Honduras is also moving forward with a \$470 million "dry canal" project, a four lane superhighway that will connect Puerto Cortés on the Caribbean with the Port of La Unión in El Salvador on the Pacific. This major infrastructure project, which is expected to be completed by the year 2013, will boost the country's logistics and distribution network.

Distribution channels in Honduras are similar to those in the U.S. Although Honduras has fewer levels of distribution and a more limited number of specialty, chain, and department stores, new investments in construction of large shopping malls and other smaller mixed-use commercial centers in strategic urban areas, as well as big retail stores such as PriceSmart and Wal-Mart, are good indicators of increasing opportunities in the retail distribution sector.

Tegucigalpa and San Pedro Sula are the major distribution centers for imported products. The coastal city of La Ceiba is one of the fastest growing regions in Honduras, attracting a significant number of commercial outlets and retail chains. The most common alternative channels include selling directly to customers, selling through intermediaries based in the United States, and selling through local distributors/representatives. Given its relatively small size, U.S. firms will find that a single distributor or representative is sufficient to cover all of Honduras. The Honduran market has traditionally been highly receptive to U.S. products and services. To market aggressively, U.S. exporters should establish local representation or a local sales office.

Representatives and distributors tend to carry rather broad lines on a non-exclusive basis. The number of full-service local distributors that stock large inventories of parts



and equipment are limited. Many local buyers make direct contact with U.S. suppliers at the factory or warehouse level. Storeowners often buy goods in small lots from stores, export brokers, or wholesalers in the U.S., primarily Miami, New Orleans and Houston. With the implementation of the CAFTA-DR Free Trade Agreement, an increasing number of Honduran importers are seeking U.S. suppliers of goods and services in order to expand market opportunities.

## **Selling Factors/Techniques**

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When selling in Honduras, U.S. exporters must take into account that for marketing purposes, the country is divided into two regions; the North Coast, which includes San Pedro Sula, the country's commercial and industrial capital; and the Central region, where Tegucigalpa, the political capital and largest city, is located.

Large importers and distributors in Honduras usually have offices in both cities to take advantage of market opportunities. In some instances, large international firms have granted exclusive distributor rights; i.e., one exclusive distributor in San Pedro Sula and another in Tegucigalpa. These types of arrangements are acceptable under current Honduran law.

Price is among the most important selling factors in Honduras. Consumer product categories such as electronics, appliances, automobiles, and food are highly competitive. In these cases, sales promotion and customer service efforts by U.S. companies are extremely beneficial. For optimal marketing results, sales and promotional materials should be translated into Spanish. U.S. products are often preferred based on quality, technology, reliability, and availability. Adapting products and services to the local culture is also an important factor for remaining competitive.

Importers-distributors, as well as Honduran government agencies, often have problems in securing the funds to purchase imports due to high (albeit falling) local interest rates which are generally offered only for short term loans. U.S. exporters that offer attractive financing terms on sales to Honduran traders have the best chances of gaining market share. This is particularly true for large-scale projects. It is important to emphasize, however, that international firms must exercise due caution when granting credit to Honduran trading partners. Firms should take care to investigate the creditworthiness and reputation of potential partners. For background and credit check information on prospective Honduran partners, the U.S. Commercial Service office in Tegucigalpa offers the International Company Profile (ICP) service. For more information about the ICP and other services, U.S. exporters may visit <http://www.export.gov> or call 1-800-USA-TRADE.

As in most Latin American countries, a good personal relationship with prospective customers is essential for penetrating the market. While it may take longer to develop a business relationship than is customary in the U.S., the investment in time can pay off in long-lasting and mutually profitable alliances.

E-commerce is evolving as a trusted business tool for the transaction of goods and services in the Honduran market. Local internet connectivity is rapidly evolving at both private and government levels. For example, significant improvements have been made within the public sector, with the majority of government institutions using web-based infrastructure to facilitate information and electronic processing of documents, promote investment, and improve general services to the public.

New Electronic Commerce legislation (Electronic Commerce Act), aimed at creating a more secure environment for commercial transactions over the internet, was enacted in August 2009.

An increasing number of private sector companies are also utilizing information and communication technologies (ICT) solutions as an alternative sales strategy. Among the sectors with the most potential for growth are e-tourism, e-commerce, e-education, and outsourcing. The most common type of e-commerce in Central America is business-to-consumer (B2C) websites. They are designed to attract purchases from the more than 2 million regional emigrants residing in the U.S., who are looking for ways to provide consumer goods to their families abroad.

The Central American commercial banking industry has also been very successful in developing user-friendly websites for B2B and B2C customer interactions. The online expansion has been accelerated by the arrival of global financial institutions such as GE Money, Citi, and HSBC to the region.

There are several consumer trade sites and gateways currently marketing products and services via the internet, especially in the areas of grocery/food, consumer household products, and tourism services. Online sales in Honduras have experienced significant growth in recent years. In the tourism industry alone, online purchases increased by approximately 41 percent in 2010.

Although there is no domestic legislation regulating e-commerce activities in Honduras yet, CAFTA-DR includes provisions on electronic commerce that reflect its importance in global trade. Under the agreement, Honduras has committed to provide non-discriminatory treatment of digital products and not to impose customs duties on such products, as well as to cooperate in numerous related policy areas.

Internet Usage and Population Growth - Honduras:

Year	Users	Population	% Pen.
2000	40,000	6,076,875	0.7 %
2005	223,000	6,569,026	3.4 %
2008	344,100	7,639,327	4.5 %
2009	958,500	7,833,696	12.2 %
2010	958,500	7,989,415	12.0 %

Source: Internet World Stats

Most advertising in Honduras is conducted through newspaper, TV, and radio. Billboards are also a strong medium for reaching customers and publicity campaigns, especially as vehicle traffic increases in the main urban areas. U.S.-style unipole (advertising sign) structures are common in the local market, especially for those companies interested in increasing brand awareness or launching a new product. A number of advertising agencies are available to guide companies through the process of developing promotional activities and choosing the most appropriate media strategy.

Honduran newspapers are considered to be one of the best ways for advertising products and services. There are not a wide variety of specialized industry publications. Major local newspapers and business journals include:

**Honduran Newspapers (Tegucigalpa-Based)*****Diario El Herald***

Spanish/Daily  
Director: Carlos Mauricio Flores  
P.O. Box 1938  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2236-6000  
Fax: (504) 2221-0778  
E-mail: [Carlos.Flores@heraldo.hn](mailto:Carlos.Flores@heraldo.hn)  
[Http://www.heraldo.hn](http://www.heraldo.hn)

***Diario La Tribuna***

Spanish/Daily  
Manager: Manuel Acosta Medina  
P.O. Box 1501  
Comayaguela, M.D.C., Honduras  
Tel: (504) 2234-3006  
Fax: (504) 2234-3050  
E-mail: [macosta@latribuna.hn](mailto:macosta@latribuna.hn)  
[Http://www.latribuna.hn](http://www.latribuna.hn)

**San Pedro Sula Based Newspapers*****Diario La Prensa***

Spanish/Daily  
Director: Ma. Antonia de Fuentes  
P.O. Box 143  
San Pedro Sula, Honduras  
Tel: (504) 2553-3101  
Fax: (504) 2553-0778  
E-mail: [redaccion@laprensa.hn](mailto:redaccion@laprensa.hn)  
[Http://www.laprensahn.com](http://www.laprensahn.com)

***Diario El Tiempo***

Spanish/Daily  
Manager: Carlos Rosenthal  
P.O. Box 450  
San Pedro Sula, Honduras  
Tel: (504) 2553-3388  
Fax: (504) 2553-4590  
E-mail: [tiempo@continental.hn](mailto:tiempo@continental.hn)  
[Http://www.tiempo.hn](http://www.tiempo.hn)

**Honduran Business Journals*****Hablemos Claro Financiera***

Spanish/Monthly  
Manager: Regina Wong de Eyl  
Address: Edificio Torre Libertad  
Blvd. Suyapa Col. Florencia Sur  
Tegucigalpa, Honduras  
Tel: (504) 2239-4350 / 2239-8058; Fax: (504) 2239-7008  
Email: [anuncios@hablemosclaro.com](mailto:anuncios@hablemosclaro.com)  
[Http://www.hcfinanciera.com](http://www.hcfinanciera.com)

## **Regional Business Journals**

### ***Estrategia & Negocios***

Spanish/Monthly  
Manager: Laura Ramos  
Address: Zona Comercial  
Hotel Honduras Maya  
Tegucigalpa, Honduras  
Tel: 2220-5000, Ext 7840  
E-mail: [laura.ramos@grupoeyn.com](mailto:laura.ramos@grupoeyn.com)  
<http://www.estrategiaynegocios.net>

### ***Mercados Y Tendencias***

Spanish/Monthly  
Country Manager: Ligia Illescas  
Edif. Centro de Negocios Las Lomas  
Tegucigalpa, Honduras  
Tel: (504) 2280-1177  
E-mail: [info@revistamyt.com](mailto:info@revistamyt.com)  
<http://www.grupocerca.com>  
<http://www.revistamyt.com>

## **Honduran Online Newspapers**

### ***Hondudiario***

Executive Director: Arístides Aceituno  
Address: Col. Palmira, Ave.  
República de México, #2449  
Tegucigalpa, Honduras  
Tel: (504) 2221-0385; (504) 2221-1039  
E-mail: [hondudiario@hondudiariohn.com](mailto:hondudiario@hondudiariohn.com)  
<http://www.hondudiario.com>

### ***Proceso Digital***

Director: Marlen Perdomo de Zelaya  
<http://www.procesodigital.hn>

### ***Honduras Weekly***

Chief: Nicole Muñoz  
<http://www.hondurasweekly.com>

## **Trade Promotion:**

In addition to the export promotion programs of the U.S. Department of Commerce, the Commercial Service (CS) in Tegucigalpa can assist U.S. companies through trade missions, seminars, conferences, catalog shows, on-line services, and matchmaking events. These programs are conducted periodically on a cost-recovery basis with pre-approved budgets.

There are a limited number of privately organized trade promotion events in Honduras. Most local trade exhibits are organized by the Foundation for Investment and Development of Exports (FIDE), in cooperation with a specific industry sponsor, as well as by the Chambers of Commerce of Cortés (CCIC), the Chamber of Commerce of Tegucigalpa (CCIT), and local industry associations.

Located in the city of San Pedro Sula, Expocentro is the biggest local trade exhibit center. Expocentro holds approximately 12 trade shows a year. For more information on trade fairs taking place at Expocentro fair grounds please contact:

## **Expocentro**

Contact: Lia Urrutia de Hernández, Manager  
Address: Bo. Las Brisas, 22 y 24 Cile., 1 y 4 Ave., N.E.  
P.O. Box 14, San Pedro Sula, Cortés, Honduras  
Tel: (504) 2566-0345 up to 48, fax: (504) 2566-0344  
E-mail: [expocentro@ccichonduras.org](mailto:expocentro@ccichonduras.org)  
[Http://www.ccichonduras.org/expo/index.html](http://www.ccichonduras.org/expo/index.html)

## **Pricing**

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U.S. exporters should keep in mind the relatively small size of the Honduran market and the high elasticity of demand for consumer products when devising marketing strategies. Price is one of the most important elements that influence the receptivity score of most Honduran imports. In many cases, Honduran businesspeople buy directly from abroad if they feel that the cost of imports available in the local market is too high. U.S. exporters should carefully analyze both the cost approach and the market approach when making pricing decisions.

Price escalation represents another important consideration in terms of export retail pricing. Products imported into Honduras are usually priced based on the C.I.F. value, import duties, in-country transportation costs, and distributor margins.

The Honduran government controls the prices for coffee and medicines and regulates the prices of gasoline, diesel, and liquid propane gas. In addition, it keeps informal control over prices of certain staple products, such as milk and sugar, by pressuring producers and retailers to keep prices as low as possible. Price-controls are also applied to cement and steel products.

The local sales tax is 12percent for most goods. Products exempted from the 12 percent tax include staple foods, purified water, medicines and pharmaceuticals, agrochemicals, educational materials, electrical power generation machinery and equipment; agricultural machinery and tools, handicrafts, and capital goods such as trucks, tractors, cranes, computers, and equipment used for the maquiladora industry. A 15 percent sales tax is also assessed on new cars, alcohol, cigarettes and tobacco products. Taxes on fuels, particularly gasoline, are among the highest in the Central American region.

Services exempt from the sales tax include utilities (electrical power and potable water), educational services, professional fees (legal, accounting, engineering, etc.), clinical and medical services, land transportation services, banking, insurance and financial services. Tourism services are subject to a 4 percent tax, with air transportation subject to a 10 percent tax.

## **Sales Service/Customer Support**

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The availability of adequate service and support frequently makes the difference in purchasing decisions, especially by the government. In general, it is important to secure sales through an established, reputable distributor that offers an adequate service infrastructure. U.S. companies should consider providing training, technical assistance,

and sales support to their local counterparts, particularly for products that require periodic maintenance and service.

## **Protecting Your Intellectual Property**

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### **Introduction**

Several general principles are important for the effective management of intellectual property (“IP”) rights in Honduras. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Honduras than in the U.S. Third, rights must be registered and enforced in Honduras under local laws. Your U.S. trademark and patent registrations will not protect you in Honduras. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Honduran market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Honduras. It is the responsibility of the rights’ holder to register, protect, and enforce his or her rights where relevant, retaining his or her own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Honduran law. The U.S. Commercial Service can provide a list of local lawyers upon request. A partial list is also available at: <http://export.gov/honduras/businessserviceproviders/index.asp>

While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Honduras require constant attention. Work with legal counsel familiar with Honduran laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Honduras or U.S.-based. These include:

- The U.S. Chamber and local American Chamber of Commerce (Amcham)
- The Honduran Property Institute (General Directorate of Intellectual Property)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

### **IPR Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **[www.StopFakes.gov](http://www.StopFakes.gov)**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at **[www.stopfakes.gov](http://www.stopfakes.gov)**
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **[http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)**.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **[www.StopFakes.gov](http://www.StopFakes.gov)**. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.



The U.S. Commerce Department has positioned IP attachés in key markets around the world. Contact information for the IP attaché who covers Honduras is as follows: AKvert Keyack (based in Brazil), E-mail: [albert.keyack@trade.gov](mailto:albert.keyack@trade.gov); <http://www.uspto.gov/ip/global/attache/index.jsp>

## **IPR Climate in Honduras**

The protection of intellectual property rights (IPR) is under the jurisdiction of the Property Institute (IP). The General Directorate of Intellectual Property division (<http://www.digepi.gob.hn>) handles the registration of patents, trademarks and copyrights, as well as any complaints regarding their infringement.

Honduras has a robust set of IPR legislation that is largely in compliant with the Trade Related Aspects of Intellectual Property Rights (TRIPS) and fully compliant with CAFTA-DR. The Honduran Congress is currently reviewing regulations that would help the government more effectively implement its IPR obligations under CAFTA-DR. In the late 1990s there was a strengthening of laws dealing with IPR, including a 1999 law on copyrights, patents, and trademarks, as well as a royalty's law that came into force in January 2000. The Business Software Alliance established an in-country presence in 2000 to protect software companies from piracy in Honduras. Since the entry into force of CAFTA-DR, the Government of Honduras has increased attention to IPR issues. While IPR enforcement remains weak, the government made steps to improve its enforcement capacity and achieved successes in confiscations. The IP and Attorney General's office blame procedural difficulties and a lack of resources. In light of these constraints, the IP and Special IPR Prosecutor coordinate to attract training, capacity building, and technical assistance support from the U.S. government and the International Intellectual Property Organization. In 2011, both entities increased their human resources capacity and the IP sponsored efforts to increase IPR awareness and education in the country.

To be protected under Honduran law, patents and trademarks must be registered with the IP. The life of patents ranges from 10 to 20 years, depending on the importance of the invention. Trademarks are valid up to 10 years from the registration date. "Notorious" or well-known trademarks are protected under the Pan American Convention (1917), to which Honduras is a party. Illegal registration of a well-known trademark, however, must be contested in court (see Section VII. G). Because this regulation favors first registration over first use, numerous cases have arisen of "squatting" on established trademarks, which the legitimate holder must then either purchase or contest in court. Data protection is provided for five years. Honduras also offers process patent protection.

A new law enacted in December 2005 to meet CAFTA-DR obligations strengthened Honduras's IPR protection regime, conforming with -- and in many areas exceeding -- WTO norms. CAFTA-DR obligations also provide stronger deterrence to piracy and counterfeiting by criminalizing end-user piracy and requiring Honduras to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. CAFTA-DR text also mandates both statutory and actual damages for copyright and trademark infringement, which would ensure that monetary damages could be awarded even when it is difficult to assign a monetary value to the



violation. Finally, under CAFTA-DR, prosecutors are able to confiscate pirated goods and file IP cases “ex-officio,” or on their own initiative, without first requiring the affected company to file a criminal complaint. However, in practice a company complaint is still needed to begin legal proceedings.

## **Due Diligence**

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U.S. companies should conduct legal and financial due diligence before completing a commercial transaction or formalizing any agreement. Performing due diligence in Honduras, as in most of Central America, can be time-consuming and difficult. There are very few sources of independently verifiable information about companies and individuals. There are no publicly listed Honduran companies and they rarely publish information about their officers, sales or financial information. Most companies are sole proprietorships and partnerships, and business generally is conducted based upon personal reputation and contacts.

Companies should request bank and trade references from potential agents and customers. The U.S. Department of Commerce in Honduras can assist your company in collecting information on Honduran companies through the International Company Profile (ICP) service, which can be ordered through any U.S. office of the U.S. Commercial Service (U.S. Export Assistance Centers). Find your USEAC at <http://www.export.gov>, or visit <http://www.export.gov/honduras/>.

Companies should also consult with their own U.S. banks for information on Honduran banks, most of which have correspondent banking relationships with financial institutions in the South and the East Coast.

## **Local Professional Services**

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Selecting a competent and reliable local attorney is an important first step to doing business in Honduras. The advice and counsel of a local attorney is essential to opening a business and to understanding Honduran judicial and administrative systems. The Economic/Commercial and Consular Sections maintain a list of attorneys that have experience assisting U.S. firms. This list is posted on the Embassy's website at <http://honduras.usembassy.gov>. The Embassy assumes no responsibility for the professional ability, reputation, or the quality of services provided by the lawyers on the list.

## **Web Resources**

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U.S. Commercial Service	<a href="http://www.export.gov/honduras">http://www.export.gov/honduras</a>
U.S. Embassy Consular Section	<a href="http://honduras.usembassy.gov">http://honduras.usembassy.gov</a>
FIDE	<a href="http://www.hondurasinfo.hn/">http://www.hondurasinfo.hn/</a>
World Bank	<a href="http://www.worldbank.org/DoingBusiness">http://www.worldbank.org/DoingBusiness</a>
Ministry of Industry and Trade	<a href="http://www.sic.gob.hn">http://www.sic.gob.hn</a>
Secretaria de Recursos Naturales	<a href="http://www.serna.gob.hn/">http://www.serna.gob.hn/</a>
Customs & Tax Directorate	<a href="http://www.dei.gob.hn">http://www.dei.gob.hn</a>

Social Security Institute	<a href="http://www.ihss.hn">http://www.ihss.hn</a>
National Vocational Training Institute	<a href="http://www.infop.hn">http://www.infop.hn</a>
Chamber of Commerce of Tegucigalpa	<a href="http://www.ccit.hn">http://www.ccit.hn</a>
Chamber of Commerce of Cortes	<a href="http://www.ccichonduras.org">http://www.ccichonduras.org</a>
Expocentro	<a href="http://www.ccichonduras.org/expo_index.html">http://www.ccichonduras.org/expo_index.html</a>
Government Procurement	<a href="http://www.honducompras.gob.hn">http://www.honducompras.gob.hn</a>
Property Institute	<a href="http://www.ip.hn">http://www.ip.hn</a>
General Directorate of IPR	<a href="http://www.digepi.gob.hn">http://www.digepi.gob.hn</a>
World Intellectual Property Org (WIPO)	<a href="http://www.wipo.org">http://www.wipo.org</a>
World Trade Organization	<a href="http://www.wto.org">http://www.wto.org</a>
Honduran Central Bank	<a href="http://www.bch.hn">http://www.bch.hn</a>
Business Software Alliance	<a href="http://www.bsa.org">http://www.bsa.org</a>
Honduras Government Portal	<a href="http://www.gob.hn">http://www.gob.hn</a>
Trade & Investment Resource	<a href="http://www.freetradehonduras.org">http://www.freetradehonduras.org</a>

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## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors

- [Automotive Parts / Service Equipment](#)
- [Electrical Power Systems/Renewable Energy Equipment](#)
- [Food Processing and Packaging Equipment](#)
- [Foods-Processed](#)
- [Safety and Security Equipment](#)
- [Travel & Tourism Services](#)

### Agricultural Sectors

- [Agricultural Sector](#)  
(Coarse Grains, Rice, Wheat, Soybean Meal, Red Meats, Processed Fruits and Vegetables, Other Consumer Oriented Products)

## Automotive Parts / Service Equipment (APS)

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	396.2	435.8	479.4
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	396.2	435.8	479.4
Imports from the U.S.	120.2	132.2	145.4

(The above market size statistics are unofficial estimates. Sources: USDOC/OTII and SIECA. Data is USD millions).

Market demand for U.S. products in this sector looks promising, with an expected growth rate of 10 percent over the next three years. An aging car population continues to fuel demand for automotive parts and accessories in Honduras. An estimated 70 percent of the total vehicle population, registered at 1,079,924 units in 2011, is at least 5 years old and in need of constant repairs. According to industry sources, the global slowdown has reached Honduras, and is having a negative impact on domestic demand for new vehicles. The total vehicle population, however, could double in the next 5 years, and the distances traveled should also increase due to an accelerated urban expansion.

The introduction of U.S. manufactured vehicles has also increased significantly over recent years, providing greater opportunities for American exporters. Honduras has no local production of automotive parts & accessories. The United States is one of the major suppliers in this sector, along with Japan, Taiwan, Korea, China, Brazil, Mexico, Germany and the U.K.

Public service transportation units represent one of the major end-users of automotive parts and accessories in Honduras. Most of the urban transportation fleets use buses of low operational quality, of which 80 percent are obsolete. The replacement needs for urban buses alone is estimated at over \$60 million. According to the National Statistics Bureau, buses and other passenger transportation vehicles report an average annual growth of 2,500 units.

There are more than 300 retailers of automotive parts and accessories in Honduras who buy directly from overseas or through local distributors. Japanese cars and light trucks dominate the market but parts are often purchased through the United States. American-made pickups, SUVs, heavy trucks and buses have stronger shares of the local market. Recent tariff changes for automotive vehicles include the elimination of a disadvantage to U.S. vehicles vs. Japanese models, as Honduras rescinded the tariff based on engine size.

## Sub-Sector Best Prospects

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In general, most automotive aftermarket products and service equipment are expected to offer good sales opportunities in the Honduran market. Particularly promising products include:

- all types of engine spare parts
- chemicals and oils
- tools and equipment
- tires; wheels
- safety equipment
- car care and cleaning
- undercar & underhood products
- electrical and brake system components
- transmission and suspension parts
- bumpers; spoilers; tail lights
- mobile electronics; alarms; sound systems
- repair shop, paint, tools & equipment

## Opportunities

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Recent tariff changes, including a complete ban for the importation of used automobiles and passenger motor vehicles of more than 10 and 13 years old, respectively (from 7 and 10 years), are expected to increase the used vehicle population in Honduras. U.S. exports of automotive parts, service equipment and accessories are also benefited from tariff reductions under the CAFTA-DR trade agreement.

The 2001 "Regulation of Hazardous Gas Emissions of Automotive Vehicles" is aimed at reducing the increasing air pollution levels generated by tailpipe emissions in the major cities of Honduras. According to this law, all passenger motor vehicles need to be fitted with an emissions control system or catalytic converter. This important regulatory measure, coupled with the growing demand for effective emissions control devices, should positively influence the demand for automotive parts and accessories through local repair shop services.

The Commercial Service Office in Tegucigalpa annually recruits and leads a delegation of Honduran automotive aftermarket leaders to the AAIW (Sema/AAPEX) show in Las Vegas, Nevada. It is the most important retail and specialty automotive aftermarket trade event in the U.S. For more information on this International Buyer Program, please visit [www.aaiwshow.com](http://www.aaiwshow.com).

## Web Resources

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Honduran Association of Automotive Dealers and  
Distributors of Automotive Parts & Accessories  
Industry & Trade Ministry  
Regional Trade Statistics  
National Statistics Institute  
CAFTA-DR Website  
Automotive Aftermarket Industry Week  
U.S. Commercial Service

<http://www.ahdiva.org>  
<http://www.sic.gob.hn>  
<http://www.sieca.org.gt>  
<http://www.ine.gob.hn>  
<http://www.export.gov/cafta>  
<http://www.aaiwshow.com>  
<http://www.export.gov/honduras>

## Electrical Power Systems/Renewable Energy Equipment (REQ)

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	200.0	252.0	378.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	200.0	252.0	378.0
Imports from the U.S.	188.0	205.0	307.5

(The above statistics are unofficial estimates. Sources include USDOC/OTII and SIECA. Data is USD millions).

Honduras has a current installed capacity of 1,592.58 MW. Electricity demand grows at approximately 7 percent a year. Demand factors include population pressure and economic growth, as well as subsidies, illegal hookups and non-payment of legal hookups, all of which eliminate any incentives to conserve energy.

Approximately 36 percent of total fuel imports are used for thermoelectric generation, which has contributed to the country's internal deficit. As such, expansion of power production using renewable energy technology is considered an energy policy priority. At present, electrical power coverage in Honduras is 71.4 percent, which means that approximately 2.2 million citizens (particularly those living in rural areas), do not have access to electricity. With demand growing rapidly, especially in the residential (42%), industrial, and commercial sectors, ENEE needs to conduct expansion efforts aimed at extending its transmission grid to incorporate rural communities in Honduras, as well as expanding the distribution capacity in high growth areas.

### Sub-Sector Best Prospects

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- Turbines/Wind
- Electrical Power Generators
- Solar cells
- Parts (regulators for hydraulic turbines and water wheels)
- Heat exchange units, industrial type
- Parts of panels, boards, consoles and transformers
- AC generators (alternators)
- Circuit Breakers
- Switch Gear
- Conducting Cable

### Opportunities

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The Honduran territory has great potential for energy generation through renewable sources, estimated at 13,268.43 MW. Most promising projects are in the areas of hydro, biomass, co-generation, wind, and geothermal sources. The government's stated strategy is to double the installed electrical capacity by 2024, diversify the energy matrix, and reverse the current power generation share of 70 percent from fossil fuels to 70 percent from renewable energy sources by 2017. Energy generation through renewable

sources is expected to increase by 27 percent (approximately 350.4 MW of installed capacity). Local financing support in this sector is primarily led by the Central American Bank for Economic Integration (CABEI). Although there is volatility from year to year, U.S. renewable exports to Honduras grew 10,988% from \$1,849,379 (2007) to \$205,056,662 (2011).

In October 2007, the Honduran Government passed a law to promote the generation of renewable energy by private developers. The new law provides significant incentives for renewable energy projects such as a tax holiday on profits for projects under 50 MW installed capacity, and tax exemptions on imported machinery for 12 or 15 years, depending on the size of the project. Multiple small-scale hydroelectric projects are in the pipeline. In February 2012, Globeleq/Mesoamerica Energy inaugurated a 100 megawatt wind project, the largest Wind Energy farm in Central America. The project's 51' 2 MW turbines, manufactured in Pennsylvania, were financed by the Export-Import Bank (Ex-Im).

The Honduran National Electrical Energy Company (ENEE) issued a request for proposals (RFP) in October 2009 for 250 MW of electricity from renewable sources, allowing participation in lots of less than 10 MW, less than 20 MW, and greater than 20 MW. The bid process was completed in late 2010, presenting opportunities for small and medium-sized producers of renewable energy.

The Honduran Association of Renewable Energy Producers (AHPPER) estimates there is potential for an additional 5,000 MW of wind and hydro energy in the country, as well as opportunity to begin development of solar and geothermal capacity. Honduras also has considerable potential to produce biofuels – both ethanol from sugar cane and biodiesel from African palm, jatropha and other sources. Although there is no commercial-scale production yet, there are several small plants producing biodiesel on a trial basis or for their own vehicle fleets. Honduras has approved implementing regulations for its biofuels law.

Despite ENEE's financial woes, the increasing demand for energy, and therefore the need for additional installed capacity, is real. Estimates of the level of demand vary but an average of an additional 100 MW/yr through 2015 seems a reasonable figure. Regardless of the manner in which such energy is produced, there will be a demand for turbines, especially those that can be available in the near term. The most likely sources of such new installed capacity seem to be coal and bagasse, with hydro and biodiesel also possible.

Given the possibility of blackouts and brownouts, due to lack of local installed capacity and distribution problems, there is also demand for reliable, emergency power generation systems such as generators. Many maquilas (garment factories) in the North Coast and hotels in Roatán have either purchased their own generators or are actively considering their options. Lastly, some hotels in Roatán that are not yet connected to the grid are reportedly considering solar power systems.

The Inter-American Development Bank has announced the approval of a USD 350,000 grant from its Fund for Special Operations to support energy efficiency and biofuel Energy and Climate Change (SECCI) Initiative. The grant will support preparation of investment plans and loans for energy efficiency measures and the development of technical studies, including those related to the implementation of a national program to produce and promote biofuels in Honduras.

## Web Resources

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Ministry of Natural Resources & the Environment	<a href="http://www.serna.gob.hn">http://www.serna.gob.hn</a>
National Electric Company	<a href="http://www.enee.gob.hn">http://www.enee.gob.hn</a>
National Energy Commission	<a href="http://www.cne.gob.hn">http://www.cne.gob.hn</a>
Central American Bank for Economic Integration	<a href="http://www.bcie.org">http://www.bcie.org</a>
Inter-American Development Bank	<a href="http://www.iadb.org/ppp">http://www.iadb.org/ppp</a>
World Bank	<a href="http://www.worldbank.org">http://www.worldbank.org</a>
Regional Trade Statistics	<a href="http://www.sieca.int">http://www.sieca.int</a>
CAFTA-DR Website	<a href="http://www.export.gov/cafta">http://www.export.gov/cafta</a>
Regional Commission for Electric Interconnection	<a href="http://crie.org.gt">http://crie.org.gt</a>
Energy and Environment Partnership with C.A.	<a href="http://www.sica.int/energia/index.asp">http://www.sica.int/energia/index.asp</a>
Central American Commission for Environment And Development	<a href="http://www.ccad.ws">http://www.ccad.ws</a>
Plan Puebla Panama Initiative	<a href="http://www.sre.gob.mx">http://www.sre.gob.mx</a>
Energy Information Administration	<a href="http://www.eia.doe.gov">http://www.eia.doe.gov</a>
Honduras Trade Portal	<a href="http://www.hondurastradeportal.com">http://www.hondurastradeportal.com</a>
SIEPAC Network Company	<a href="http://www.eprsiepac.com">http://www.eprsiepac.com</a>

US Trade Shows under the 2012 International Buyer Program Schedule of the U.S.  
Department of Commerce:

Electric Power 2012	<a href="http://www.electricpowerexpo.com">http://www.electricpowerexpo.com</a>
WindPower 2012	<a href="http://www.windpowerexpo.com">http://www.windpowerexpo.com</a>
RETECH 2012	<a href="http://www.retech2012.com">http://www.retech2012.com</a>
GridWeek 2012	<a href="http://www.gridweek.com">http://www.gridweek.com</a>
Power-GEN International	<a href="http://www.power-gen.com">http://www.power-gen.com</a>

## Food Processing and Packaging Equipment (FPP)

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	567,165,417	479,691,428	523,428,423
Total Local Production	NA	NA	NA
Total Exports	25,093,850	17,631,373	21,362,612
Total Imports	592,629,917	497,322,801	544,976,359
Imports from the U.S.	291,726,167	290,763,135	291,244,651

(The above statistics are unofficial estimates. Data is USD Dollars; Source: SIECA).

The total market for food processing and packaging equipment in Honduras has increased steadily over the past few years and further increases are expected in the years to come. The United States continues to be Honduras' largest supplier of food processing and packaging equipment, enjoying a high level of acceptance and reputation for high quality. As new niche markets continue to grow, such as the



nostalgic consumer goods market in the U.S., so does local exporters' demand for cost effective packaging technologies and solutions.

#### **Sub-Sector Best Prospects**

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Industrial Machinery, plant equipment for food and beverage production

Can Sealing machines

Container labeling machines

Dairy and Egg Processing Equipment

Meat & Poultry packaging plant machinery

Lid, seal & close machinery

Packaging and wrapping machinery

Vacuum Sealing and Specialty Packing Materials

Parts and service equipment

Food-processing machinery (for fruits, nuts and vegetables)

Machinery for the industrial preparation of manufactured foods, drinks

Sanitation control equipment and materials

#### **Opportunities**

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The market for food processing and packaging machinery in Honduras has increased steadily over the last five years. Honduran exporters are pursuing expansion plans to increase production and improve the quality of their exports according to international standards, as well as to extend shelf life and comply with sanitary export requirements. Non-traditional agricultural products such as melons, watermelons, mangoes, winter vegetables, shrimp, tilapia, jalapeno peppers, fruits and flowers are some of the top export products. With CAFTA-DR, producers are looking forward to opportunities of exporting new products to the North American market, and are looking for the best packaging solutions and materials. A growing number of companies are currently increasing the production of processed products such as tortillas; processed wheat, soy and oats; dehydrated fruits and vegetables; Individual Quick Frost fruit and vegetables; and milk cooling tanks. In addition to the food processing sector, opportunities exist in the pharmaceutical industry, as local manufacturers seek new markets and innovative pharmaceutical packaging solutions.

#### **Web Resources**

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Foreign Agricultural Service  
Central American Trade Stats

<http://www.fas.usda.gov>  
<http://www.sieca.int>

The US Commercial Service under the International Buyer Program provides assistance, information and registration for the following Trade Shows:

National Restaurant Association (NRA)  
PackExpo International 2012

<http://www.dineout.org>  
<http://www.pmmi.org>

2010 AMI International Meat, Poultry & Seafood Industry Convention and Exposition,  
FMI 2012, United Fresh 2012, and NASDA U.S. Food Showcase  
<http://www.ami-fmi-ufpa-nasda-2012.com>

National Plastics Showcase – NPE 2012

<http://www.npe.org>

## **Foods – Processed (FOD)**

### **Overview**

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	2010	2011	2012 (Estimated)
Total Market Size	1,853,949,435	3,080,905,914	3,234,951,210
Total Local Production	499,623,685	1,049,303,638	524,604,869
Total Exports	1,220,381,445	1,354,325,750	2,168,360,015
Total Imports	854,702,065	1,015,801,138	1,066,591,195
Imports from the U.S.	226,715,475	441,778,447	463,867,369

(The above statistics are unofficial estimates.)

Demand for consumer oriented food products is rising. The growing restaurant and hotel tourism industry in Honduras presents U.S. suppliers with good potential for processed food products and raw materials. Fast food and casual dining franchises also continue to expand throughout the country's largest cities, and are in constant need of raw materials and specialty ingredients from the U.S.

The retail food sector is by far Honduras' largest market for imported foods. Consumers shop at open-air markets, U.S.-style grocery stores, wholesale clubs, and convenience stores. Virtually all supermarket chains are expanding, and they are devoting increasing inventory and shelf space to U.S. products. There is a strong preference for U.S. products, which are perceived as having a high quality and excellent sanitary standards. One of the competitive advantages of various U.S. consumer ready food products is brand recognition.

### **Sub-Sector Best Prospects**

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- Canned and frozen meats;
- Deli meats and sausages
- Snack foods, baked goods
- Cheese and other dairy products
- Fresh and processed fruits and vegetables
- Breakfast cereals
- Juices, wines, beer
- Pet foods
- Tree nuts
- Nursery products and cut flowers
- Salmon, Ground fish, and mollusks
- Preservatives, artificial flavoring and coloring products

### **Opportunities**

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Grocery stores, wholesale clubs and other retail chains account for the largest volume of sales of consumer-ready food s. Improved storage and distribution facilities allow year-

round availability of U.S. food consumer goods, including canned, processed, and frozen products. Market outlook for food processing ingredients is also good.

Promoting products during holidays is particularly effective. Easter, besides being a religious holiday, is also summer vacation for the majority of Hondurans, a time when they are amenable to trying new products. During Christmas, gift baskets are becoming increasingly popular. In June and December, both government and private sector entities provide bonuses to their employees. Many families make special food purchases or buy higher quality products at this time of the year.

## Web Resources

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Foreign Agricultural Service

[www.fas.usda.gov](http://www.fas.usda.gov)

The US Commercial Service under the International Buyer Program provides assistance, information and registration for the following Trade Shows:

National Restaurant Association  
PACKEXPO

[www.dineout.org](http://www.dineout.org)  
[www.pmmi.org](http://www.pmmi.org)

AMI International Meat, Poultry & Seafood Industry Convention and Exposition, FMI 2012, United Fresh 2012, and NASDA U.S. Food Showcase  
[www.ami-fmi-ufpa-nasda-2012.com](http://www.ami-fmi-ufpa-nasda-2012.com)

## Security and Safety Equipment (SEC)

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	339.25	474.95	664.93
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	339.25	474.95	664.93
Imports from the U.S.	137.3	191.4	268.0

(The above market size statistics are unofficial estimates. Sources USDOC/OTII and SIECA. Data is USD millions).

An October 2011 United Nations report on crime and drugs ranked Honduras as having one of the highest per capita homicide rates in the world. Elevated crime rates in urban areas have increased demand for safety and security equipment in all sectors of the economy, including personal, residential, commercial, financial and national police force users. It is estimated that the general market for Security & Safety Equipment (SEC) will grow over 40 percent over the next three years. The market for security and safety equipment is supplied entirely by imports, with the U.S. supplying over 80 percent. In the 2010-2011 period, U.S. exports to Honduras increased by almost 40 percent. Third-country suppliers include Canada, Taiwan, France, Mexico, Germany, and Japan.

The market for residential security equipment is growing. Most new private housing projects contemplate the installation of different types of home security systems, such as alarms, sensors, smoke and fire detectors; water sprinklers and automated computerized home security systems. Personal security is also an important sector, as kidnappings for ransom in Honduras have steadily increased over the past three years. In addition, demand for electronic alarm systems, closed circuit TV, one-way mirrors, bulletproof windows and armored vehicles are on the rise for the commercial and banking sectors. Within the public sector, the Ministry of Security has been authorized, through a governmental executive decree, to make direct purchases of modern technology for safety and security purposes. Securing a local agent/distributor in the local market is key for an effective market entry strategy in the SEC sector, particularly for support in providing installation, maintenance, and after sales services.

### **Sub-Sector Best Prospects**

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- Electronic surveillance equipment
- Security Cameras
- Biometric systems
- Alarm systems (fire and smoke/burglar/motion)
- TV closed circuits
- Remote monitoring; Perimeter security
- Electric residential fences
- Armored Vehicles
- Protective Clothing
- X-ray Inspection Equipment
- Safes and Strong Boxes
- Sprinkler Systems
- Smoke Detectors
- Fire Extinguishers
- Vehicle Alarm Systems
- Airport and sea port safety & security equipment

### **Opportunities**

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With a rate of 82.1 murders per 100,000 inhabitants in 2011, public security is one of the most serious problems facing Honduras. Concerns in this area represent a growing market for U.S. suppliers of safety and security equipment. As part of the “Country Plan 2010-2038,” the government’s priority is to implement actions for strengthening the National Police force, combat insecurity and reduce crime levels below the international average.

The Central America Regional Security Initiative (CARSI) is an integrated, collaborative regional security program, aimed at responding to elevated security threats and at supporting citizen safety goals. It supplements the strategies and programs the nations of Central America are implementing on their own and in cooperation with other countries. CARSI is coordinated with other nations, international financial institutions, the private sector, civil society, and the Central American Integration System. U.S. CARSI assistance (USD 361) since 2008 is supporting law enforcement, border security, community policing, and security force priorities in the region.

In compliance to the U.S. Customs & Border Protection Container Security Initiative, the National Port Authority has obtained maritime certification, which includes the acquisition of technology to pre-screen cargo containers before they arrive at U.S. ports as well as countering any illegal activities that might occur at the ports. Among the equipment needed to increase security in local ports are x-ray inspection equipment, security cameras and other specialized electronic security devices. In addition to port infrastructure, the country's four international airports regularly undergo a series of improvements involving safety and security equipment.

## Web Resources

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Ministry of Security  
CARSI

<http://www.seguridad.gob.hn>  
<http://www.state.gov/p/wha/rt/carsi/index.htm>

The US Commercial Service provides assistance, information and registration to Honduran importers for the following U.S. Trade Shows:

International Security Conf/Expo (ISC West) [www.iscwest.com](http://www.iscwest.com)  
CTIA Wireless 2012 Convention [www.ctiawireless.com](http://www.ctiawireless.com)  
InfoComm International 2012 [www.infocomm.org](http://www.infocomm.org)  
ASIS International 2012 (Security Solutions Expo) [www.asisonline.org](http://www.asisonline.org)

## Travel and Tourism Services (TRA)

### Overview

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Trends in Arrivals

	2008	2009	2010
Honduran Arrivals to the United States	116,902	115,405	115,616
Percent Change	20%	-1.3%	.18%

(Source: USDOC, ITA Office of Travel & Tourism Industries).

International travel is the single largest services sector export for the United States, accounting for 25% of all services exported (\$134 billion) and supporting 1.2 million jobs in 2010. Honduras is among the top 50 countries generating travel to the United States, and 16 percent of arrivals from Central America are Honduran. Despite strict visa requirements, the close proximity of the United States (only a 2.5 hour flight to the U.S. main gateway cities), coupled with the high receptivity for U.S. products and services, make the U.S. a preferred destination for Honduran travelers, followed by South America and the Caribbean. With a population of 7.8 million, the country's economic growth in recent years has the potential to prompt more middle-class travelers to the U.S. In 2010, Honduran arrivals totaled 115,616, slightly down .18 percent from 2009. After a highly challenging year resulting from a political and economic crisis in 2009, industry

contacts foresee a recovery with upside opportunities involving leisure and business travelers for the period 2010-2013.

### **Sub-Sector Best Prospects**

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Shopping malls and outlets/retail  
Hotels/motels/Restaurants  
Transportation services (airlines, vehicle rentals, bus and rail between cities)  
Entertainment/Recreational activities/services (theme parks, museums, night clubs, sports)  
Business Convention (conferences, seminars, trade shows)  
Hospitals/clinics/medical services

### **Opportunities**

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The most popular destinations for Honduran visitors in the U.S. are Miami, New York, Orlando, Los Angeles, and Las Vegas. Washington, DC, New Orleans, Chicago, Atlanta, and Houston are popular secondary destinations. Florida is the preferred choice for leisure travel, with 55.7 percent of market share. Among the top activities are shopping, dining in restaurants, sightseeing in cities, visit historical places, amusement/theme parks, visit small towns, art gallery/museums, night clubs/dancing, and visits to national parks. The typical visitor to the U.S. has visited at least once before. The high season for Honduran travel to the U.S. is June-August, because of school holidays. Shorter trips during national holidays are also very popular.

U.S. Department of Commerce (USDOC) 2010 statistics show that 33 percent of total inbound trips from Central Americans are for leisure/recreation/holidays, followed by visits to friends and relatives (29 percent), business/professional (27 percent), and convention/conference attendance (6 percent). Companies and professionals are learning new techniques and strategies to become more competitive and, therefore, professionals and businesspeople are increasingly attending U.S. trade shows, conventions and seminars. USDOC visitation estimates are 13.3 nights for the average length of stay in the U.S., and 1.2 states visited. Industry sources estimate that the greatest proportion of Honduran visitors are in the age groups of 35-44, married and professional, followed by the age groups of 25-34, and 15-24 years of age. Most frequently used information sources for trip planning are: personal computer/internet (32%); travel agency (32%); airlines directly (32%); and friends/relatives (15%).

### **Web Resources**

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USDOC/ITA Office of Travel & Tourism  
U.S. Travel Association

<http://www.tinet.ita.doc.gov>  
<http://www.ustravel.org>;  
<http://www.discoveramerica.com>

### **Trade Events**

Int'l Pow Wow 2012  
La Cumbre de Turismo

<http://www.powwowonline.com>  
<http://www.lacumbre.com>

## Agricultural Sectors

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- [Coarse Grains](#)
- [Rice](#)
- [Wheat](#)
- [Soybean meal](#)
- [Red meats](#)
- [Processed fruits and vegetables](#)
- [Other Consumer Oriented Products](#)

## Coarse Grains

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	281.8	50.2	355.9
Total Local Production	183.6	181.9	190.8
Total Exports	1.08	3.07	1.05
Total Imports	99.4	134.7	145.7
Imports from the U.S.	66.9	125.5	131.5

(Statistics are unofficial estimates. Data in US\$ millions)

In coarse grains category, white corn is the grain produced in the largest scale in Honduras. It is mainly utilized for human consumption. Sorghum makes up about 7 percent of the total coarse grain production. The Government of Honduras is providing incentives to increase production of white corn and sorghum to assure food security for human consumption.

### Best Prospects/Services

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The main product imported in the coarse grain category is yellow corn. An average of 82 percent of yellow corn consumed in Honduras is imported. Corn from the U.S. is used for animal feed production, particularly in the poultry, shrimp, tilapia, livestock and swine industries.

### Opportunities

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Increased growth is expected in the poultry, livestock, shrimp, tilapia and swine sectors. More yellow corn will be needed to feed the chickens supplied to local franchises. Honduras is also preparing to export chicken to the U.S. The Honduran government is providing incentives to increase beef production. Honduras ranks 19th among the leading markets for U.S. coarse grain exports.

Under CAFTA-DR, Honduras did not reduce the out-of-quota duty for white corn, but liberalization will occur through a quota which will grow 2 percent per year. Honduras

will have a base quota of 23,460 MT for white corn. For yellow corn, the tariff will be eliminated over 15 years and Honduras will have a quota of 244,940 MT in 2012, growing 5 percent per year. Tariff cuts will be backloaded. For white corn, Honduras will have a quota of 26,220 MT in 2012.

## Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Annual Exporter Guide 2011
- FAIRS Report 2011

## Rice

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	61.2	16.1	60.6
Total Local Production	10.7	16.9	15.3
Total Exports	4.8	3.5	0.987
Total Imports	55.3	36.6	45.3
Imports from the U.S.	46.2	46.2	50.2

(Statistics are unofficial estimates. Data in USD millions)

Rice is the grain produced on the smallest scale in Honduras. Production has increased because the Honduran government is now providing credit; however, it is not enough to keep up with demand. As a result, the United States continues to be Honduras's largest supplier of rice. The quality and reliability of U.S. rice is well-known.

### Best Prospects/Services

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Local rice millers prefer to import paddy rice for price reasons and to keep their plants running. However, milled rice is also imported into Honduras.

### Opportunities

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Historically, virtually all rice imports have been from the U.S. Honduran import demand is expected to remain strong. Honduras is ranked 13th among the leading 35 country markets for U.S. rice imports.

Under CAFTA-DR, rice tariffs will be eliminated over 18 years. Tariff cuts will be back-loaded, with out-of-quota imports subject to a safeguard. There will be a base quota of 91,800 MT for rough rice, growing by 2 percent per year. Imports under the quota will be subject to a performance requirement, which will be eliminated in 18 years. A base quota of 8,925 MT will be for milled rice, growing by 5 percent per year. The tariff rate quota (TRQ) for rough and milled rice in 2012 is 102,600 MT and 11,475 MT, respectively.



## Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Annual Exporter Guide 2011
- FAIRS Report 2011

## Wheat

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	43.6	62.4	69.1
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	43.6	62.4	69.1
Imports from the U.S.	43.6	62.4	69.1

(Statistics are unofficial estimates. Data in USD millions)

Honduras's land and climate are unsuitable for commercial wheat farming. The country depends on imports to fill its wheat demand.

### Best Prospects/Services

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Industry wheat needs in Honduras average 170,000 MT per year, with the vast majority coming from the U.S.

### Opportunities

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The U.S. should remain Honduras's main source of wheat, both through commercial channels and donations. There are no import duties applicable to U.S. wheat exports. Honduras ranks 28<sup>th</sup> among the leading 35 country export markets for U.S. wheat.

## Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Annual Exporter Guide 2011
- FAIRS Report 2011

## Soybean meal

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	57.0	58.4	65.0
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	57.0	58.4	65.0
Imports from the U.S.	57.0	58.4	65.0

(Statistics are unofficial estimates. Data in USD millions)

Traditionally, Honduras has filled virtually all of its soybean meal demand with U.S. product. Domestic production is negligible.

### Best Prospects/Services

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The growing poultry, shrimp, and tilapia sectors in Honduras have triggered increasing demand.

### Opportunities

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Continued expansion in the feed industry, particularly for poultry and tilapia production, should continue to fuel the demand for U.S. soybean meal in coming years. An increasing number of food franchise outlets are also requiring more chicken. Honduras is preparing to export chicken to the U.S., where tariffs on Honduran imports are currently zero. Honduras ranks 20<sup>th</sup> among the leading 35 country export markets for U.S. soybean meal.

### Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Annual Exporter Guide 2011
- FAIRS Report 2011

## Red Meats

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	427.1	469.4	517.9
Total Local Production	370.9	397.7	426.3
Total Exports	2.8	2.8	3.1
Total Imports	7.9	6.0	8.2
Imports from the U.S.	4.5	4.5	5.1

(Statistics are unofficial estimates. Data in USD millions)

Honduras has two meat exporting plants certified by the USDA's Food Safety Inspection Service (FSIS) to export to the U.S. However, imports are needed to satisfy demand.

### Best Products/Services

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CAFTA-DR brought immediate tariff elimination on prime and choice pork and beef cuts. Current demand centers on beef cuts, prime pork, beef variety meats, liver, tongue, sausage, trimmings and pig's feet.

### Opportunities

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The tourism sector in Honduras has witnessed substantial growth. The number of U.S. restaurants and franchises operating in Honduras has grown rapidly. The government has designated tourism as one of the priority sectors likely to create jobs and economic growth. Hotels and restaurants need a consistent supply of quality meat products such as U.S. beef and pork. The Honduran traditional cuisine uses offals in its dishes. The local red meat industry does not produce enough products to satisfy demand.

### Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Annual Exporter Guide 2011
- FAIRS Report 2011
- Retail Report 2011

## Processed Fruits and Vegetables

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	41.2	41.2	42.0
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	41.2	41.2	42.0
Imports from the U.S.	13.6	10.9	12.0

(Statistics are unofficial estimate. Data in USD millions)

Imports of processed fruits and vegetables from the U.S. have increased substantially in recent years. Brands of canned goods are well-known in the Honduran market.

### Best Products/Services

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Products that are popular and which have experienced immediate tariff elimination under CAFTA-DR are: canned sweet corn, tomato paste, canned pears, canned peaches and mixed canned fruit.

### Opportunities

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Many U.S. franchises and restaurants in Honduras currently import pre-made french fries from Canada. Under CAFTA-DR, the U.S. can now introduce its products free of duties. Honduran ranks 37th among the leading country export markets for U.S. processed food and vegetables.

### Resources

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- U.S. Department of Agriculture Foreign Agricultural Service in Honduras
- Annual Exporter Guide 2011
- FAIRS Report 2011
- Retail Report 2011

## Other Consumer Oriented Products

### Overview

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	2010	2011	2012 (estimated)
Total Market Size	309.5	169.8	263.0
Total Local Production	2.7	3.3	3.5
Total Exports	0	0	0
Total Imports	276.4	142.0	231.6
Imports from the U.S.	35.8	31.1	34.9

(Statistics are unofficial estimates. Data in USD millions.)

The category of other Consumer Oriented Products comprises a wide range of products, which have witnessed significant increases in the past few years. The largest competitors for the U.S. are Guatemala and Costa Rica. The U.S. market share is 15 percent.

### Best Products/Services

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- Vegetable and animal oil/fats
- Popcorn
- Preparation for sauces and sauces
- Mixed Condiments
- Mustard

**Foods-Processed:** Other consumer-oriented products offering good export opportunities are snack foods, packaged & canned foods, breakfast cereals, food additives, dairy products, wine, and pet foods.

### Opportunities

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Under CAFTA-DR, the tariff on a wide range of consumer-oriented products was eliminated. Market demand for U.S. products in this sector looks promising. Honduras ranks 21<sup>st</sup> among the leading 35 country export markets for U.S. “other consumer-oriented products”.

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- U.S. Department of Agriculture Foreign Agricultural Service in Honduras  
<http://www.fas.usda.gov>

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## Chapter 5: Trade Regulations and Standards

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### Import Tariffs

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Honduras is a member of the Central American Common Market (CACM), which also includes Guatemala, El Salvador, Nicaragua and Costa Rica. Honduras' tariffs on most goods from outside the CACM are currently within the zero to 15 percent range. Under CAFTA-DR, about 80 percent of U.S. industrial and commercial goods can now enter the region duty-free, with the remaining tariffs to be phased out over ten years. Nearly all textile and apparel goods that meet the agreement's rules of origin receive duty-free and quota-free treatment, providing new opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing. (The agreement's tariff treatment for textile and apparel goods was made retroactive to January 1, 2004.)

It is first necessary to determine the appropriate Harmonized System (HS) classification number to determine if a specific product can enter the CAFTA-DR region duty-free. With this number it is then possible to check the country and product-specific tariff elimination schedule. For more information on the practical aspects of exporting under CAFTA-DR please consult the links below:

<http://www.export.gov/fta>

<http://www.ustr.gov>

<http://www.sic.gob.hn>

Under CAFTA-DR, Honduras will eliminate its tariffs on yellow corn and pork meat within 15 years (18 years for rice and chicken leg quarters and 20 years for dairy products). For the most sensitive products, tariff rate quotas permit some immediate zero-duty access for specified quantities during the tariff phase-out period, which will expand over time. Honduras will increase trade in white corn through expansion of the tariff-rate Quota (TRQ) on an annual basis. However, the TRQ should be inferior to the average of white corn imports from previous years. Accordingly, CAFTA-DR should lead to the elimination of market access barriers, including the price band and absorption agreement system, for all products other than white corn.

The tariffs on grain require further explanation. There are restrictions on imports of corn and sorghum in order to protect local production. In addition, there is a combination price band mechanism and absorption agreement for corn and sorghum. Under the price band mechanism, duties can vary from 5 to 45 percent, depending on the import price. The tariff is calculated every 15 days using international prices and adding freight and insurance to that price. The price band mechanism is mainly used as reference for end users that do not sign the corn and sorghum agreement.

Corn and sorghum producers, feed industry and food meal industry for human consumption recently signed a four-year agreement (2010-2014). Under the agreement the duty for corn and sorghum drops to zero when the signers of the agreement purchase a predetermined amount of these products from farmers. Thus, the feed industry is able to import four quintales of yellow corn (1 quintal = 100 kilograms) for each quintal bought from domestic production. The meal industry for human consumption is able to import three quintales of white corn for each quintal bought from domestic production. Only end-users who have signed the agreement may apply for this preferential treatment. Otherwise, the price band remains in effect.

Since Honduras' corn and sorghum production is not enough to satisfy market demand, the agroindustry is able to bring in those products at zero-duty within the TRQ established under CAFTA-DR. In addition, as stated by CAFTA-DR, if the domestic production is low, a no-supply quota, that brings the tariff to zero, can be applied.

Rice producers and millers have also reached a similar absorption agreement as the one for corn and sorghum. Under CAFTA-DR, the rice millers and producers entered into a new agreement in 2006. The agreement states that the duty for rough rice drops to zero when the signers of the agreement purchase the domestic harvest of rice. The agreement also establishes that an internal regulation will be applied every year. The regulation is the mechanism that establishes the volumes of rough rice that will be bought, the quality, payment requirements and the sale price. The regulation also includes the no-supply quota which will bring the tariff to zero to cover the demand of rice if needed. For everyone else that wants to import rough rice outside the CAFTA-DR quota, the duty is 45 percent.

This agreement, supported by the Government of Honduras, also appears to satisfy farmers and importers.

A general 12 percent sales tax is applied to most products. Goods exempted from this tax include staple foods, fuels, medicines, agro-chemicals, books, magazines and educational materials, agricultural machinery and tools, handicrafts, and capital goods such as trucks, tractors, cranes, and computers, among others. Goods and services imported by maquilas and other firms protected under Special Export Development Regimes are also exempted from the sales tax. A 15 percent sales tax is applied to beer, brandy, compound liquors, and other alcoholic beverages, cigarettes and other tobacco products. This tax is levied on the distributor sale price, minus the amount of the production and consumption tax on both imports and national products. This calculation procedure is also applied to the 12 percent tax on carbonated beverages. A 10 percent selective consumption tax is also applied to some products considered non-essential, such as alcoholic beverages.

Complete information on import tax legislation, customs regulations, and general administrative procedures is available at <http://www.dei.gob.hn>

## **Trade Barriers**

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CAFTA-DR provides new market access for U.S. consumer, industrial and agricultural products, improving U.S. competitiveness against third country suppliers and helping expand U.S. exports overall. The agreement requires important reforms of the domestic legal and business environment -which are still ongoing- as well as transparency and efficiency in administering customs procedures, including CAFTA rules of origin.

Honduras did not negotiate any tariff rate quotas when it became a member of the WTO. It does, however, have limitations on imports of rice and corn in order to protect local production. Importation of these two products during harvest time is not allowed. (Please see Import Tariffs section).

In addition to agricultural products, Honduras maintains some non-tariff barriers in relation to services. Currently, special government authorization must be obtained to invest in the tourism, hotel, and banking services sectors. Honduran professional associations heavily regulate the licensing of foreigners to practice law, medicine, engineering, accounting, and other professions. Under CAFTA-DR, Honduras allows substantial market access in services across their entire services regime, subject to very few exceptions. For more information on service and investment barriers, please read the annual National Trade Estimate Report on Foreign Trade Barriers, found under the Reports and Publications section of the Press Office at: <http://www.ustr.gov>

## **Import Requirements and Documentation**

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In Honduras most import license requirements have been eliminated. Among the general documentation, customs requires commercial invoices, bills of lading, certificates of origin, Phyto or Zoo sanitary certificates and certificates of free sale. Import documentation may be prepared by a local customs house broker or by an importer with sufficient experience.

### **How to Declare That a Good Is Originating**

CAFTA-DR designates the importer with the responsibility of claiming preferential treatment under the agreement. It does not require that the importer provide a certification in support of the claim of preference unless requested by the customs authority. The importer should work with the U.S. exporter to ensure that the U.S. good meets the relevant rule of origin under CAFTA-DR prior to making a claim. The assistance and cooperation of U.S. suppliers in producing accurate and well-documented claims for preferential treatment is vital.

### **Demonstrating Eligibility for Preferential Tariff Treatment**

In relation to the United States-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), Honduras requires a special Certificate of Origin for imports



from the United States to be submitted. The main purpose of the document is to certify that the product originated in the United States, which in turn allows the product to receive the preferential tariff treatment agreed upon in CAFTA-DR. The producer, exporter or importer could provide the certificate with all the required information. A sample of this certificate can be found at: [http://www.sic.gob.hn/Libraries/Formularios\\_de\\_Exportacion/Certificado\\_de\\_Origen\\_R D-CAFTA\\_TLC\\_Estados\\_Unidos.sflb.ashx](http://www.sic.gob.hn/Libraries/Formularios_de_Exportacion/Certificado_de_Origen_R D-CAFTA_TLC_Estados_Unidos.sflb.ashx). The CAFTA-DR certificate is required by the Customs Tax Division (DEI).

In general, a product's eligibility for preferential tariff treatment may be demonstrated in a variety of ways provided it is in written or electronic form. One can provide a statement on company letterhead, a statement on a commercial invoice, or a certification. While no official form is required in order to demonstrate eligibility for preferential tariff treatment under CAFTA-DR, a certification should include the following information:

- (a) the name of the certifying person, including, as necessary, contact or other identifying information;
- (b) tariff classification under the Harmonized System and the description of the good;
- (c) information demonstrating that the good is originating;
- (d) date of the certification; and
- (e) in the case of blanket period certification, the time period over which the certification is applicable.

In some situations, multiple shipments of identical goods are being sent to the same CAFTA-DR importer. In these cases, it is not necessary to create a new written or electronic certification for each individual shipment. The importer may maintain one "blanket" certification to be presented to the customs authority, if requested. The "blanket period" may not exceed one year.

For additional information on declaring origin and to see a sample certification for exports to Honduras, please visit <http://www.export.gov/FTA/cafta-dr>.

U.S. exporters seeking information on tariffs for products imported into Honduras may also visit: <http://www.dei.gob.hn/website/index.php?lang=es&txtsrc=CAFTA&btnsrch=>

The Honduran government requires that a sanitary registration number be obtained from the Sanitary Regulation Directorate (SRD) of the Ministry of Health for all imported processed food products prior to entering the country. The registration process is relatively faster for low-risk products within group C such as oils, margarine, non-alcoholic beverages, canned fruits and vegetables, nuts, cereals, cookies, candies, snacks and soups. The C category does not need laboratory analysis. Foodstuffs from group B, such as ice cream, mayonnaise, alcoholic beverages, sugar, salt, honey, and flour, may be subject to further analysis if necessary. Foodstuffs from group A, such as meats, canned meat, milk (powder and liquid), cheese, cream, butter, yogurt, bottled water, ice, and raw and processed seafood of all kinds need laboratory analysis.

Imports of raw and processed agricultural products need an import permit from the National Plant and Animal Health Service (SENASA) of the Ministry of Agriculture and Livestock. In order to obtain an import permit, all importers of food products, additives, and inputs used in food processing must submit the following documents to SENASA:

- Phyto-or Zoo-Sanitary Certificate
- Certificate of Origin
- Photocopy of Pro-Forma Commercial Invoice

SENASA requests the issuance of Phyto-or-Zoo Sanitary Certificate by a U.S. federal government authority in the plant where the food products have been processed. SENASA does not accept documents from commercial trading companies. SENASA has requested the USDA to add an Additional Declaration (AD) to the certificates for poultry imports. The AD states that the specific poultry or sub-products originated in areas free of high or low pathogenic avian influenza. SENASA indicates that it is the importers' as well as the exporters' responsibility to stay abreast of outbreaks so they can assure SENASA of the health status of the area of origination. SENASA typically issues an import permit within 24 to 72 working hours when all required documents are provided.

Importers of dairy products with the Harmonized Code (HC) from 04.01 to 04.06 and 1901.10.1 and 1901.90.20 should have an import license issued by the Ministry of Industry and Trade (SIC). The HCs are for milk, cream, butter, yogurt, cheeses, baby formula and powdered milk. Importers will need to register only once. The license will have a 60-day validity and can be extended at the request of the importer. In order to issue the import license, SIC needs to have copy of the Import Permit that SENASA issues to the importer.

For detailed information on import permit requirements, please contact <http://www.fas.usda.gov>, Attaché Reports, Food and Agricultural Import Regulations and Standards – Narrative – Tegucigalpa, Honduras. Alternatively, U.S. exporters may contact the Registration Unit of the Ministry of Health by writing to [regulacionhon@yahoo.com](mailto:regulacionhon@yahoo.com) or visiting the following SENASA website: <http://www.senasa-sag.gob.hn>

## **U.S. Export Controls**

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The U.S. Government requires firms to obtain an export permit for some products, especially those considered security sensitive. Commerce Control List categories include nuclear materials; electronics; chemicals, microorganisms and toxins; navigation and avionics; sensors and lasers; and materials processing, among others. For more information, U.S. exporters should contact the Bureau of Industry and Security at the U.S. Department of Commerce, (202) 2482-2000 or 1-800-USATRADE; <http://www.bis.doc.gov>

## **Temporary Entry**

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The Temporary Import Law (RIT), enacted in 1984, allows exporters to introduce raw materials, parts, and capital equipment into Honduran territory exempt from surcharges and customs duties as long as the material or part is to be incorporated into a product which is exported outside of the country. This law also provides a 10-year tax holiday on

profits from these non-traditional exports, under certain conditions. Interested parties may obtain authorization for this program through the Ministry of Industry and Trade. Amendments made to the RIT law in 1997 allow manufacturers to export their products to other Central American countries. These amendments also permit local importers to resell machinery and equipment no longer needed, by paying an import duty based on its C.I.F. value.

Companies that do not operate in free trade zones or export processing zones fall under the jurisdiction of the Temporary Import Law. At present, over 500 companies are incorporated into the RIT program.

Temporary entry requirements for goods such as commercial samples, sales displays and other items for use at exhibits and trade shows are established under Article 73 of the Honduran Customs Law, Decree 212-87. Customs legislation allows duty free admission of such products, as well as for items to be used for scientific and entertainment purposes, for up to 3 months. This temporary entry authorization can also be extended an additional 3 months, if necessary. Products to be used in the execution of construction projects, tourism and recreational activities, and other special private and public works may qualify as temporary imports for a period of up to 6 months under Article 74 of the Honduran Customs Law. Temporary entry is granted upon making a deposit equivalent to the import duty applicable to the specific product. The guarantee is refunded at the time the product is re-exported.

Additional information on the Honduran temporary import regime and related investment promotion legislation is available at <http://www.sic.gob.hn>

## **Labeling and Marking Requirements**

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Labeling requirements for merchandise are established under Article 9 of the Consumer Protection Law, Decree 41-89 of 1990. Enforcement of marking and labeling regulations is conducted by the General Directorate of Production and Consumption of the Ministry of Industry & Trade. Special regulations apply to medicines and agricultural products under the Health Code and the Phyto-Zoo Sanitary Law, respectively.

Honduran law requires that all processed food products be labeled in Spanish and registered with the Sanitary Regulation Directorate (SRD) of the Ministry of Health. Exporters should confirm the importer's compliance with the following SRD requirements: Sanitary License, Sanitary Registration number, or Sanitary Inscription. Processed food products must have the sanitary registration number prior to entering the country (and only food samples, to be used to move forward with the registration process, will be allowed to enter the country without subject number). The sanitary registration process takes approximately 30 days, and importers should verify its status with the SRD.

Central America Customs Union (CACU) member countries harmonized the Sanitary Registration and Sanitary Inscription procedures for processed food products (Central American Technical Regulation RTCA 67.01.31.06). Through this procedure, products registered in one CACU country do not need to be registered again in another. Products manufactured in the U.S. are not eligible for this registration exemption. However, the product's Country of Origin is considered CACU if processed in a CACU member country, even if the raw material originates from a non-CACU country. Additional

information and registration forms are available at the Central America Secretariat of Economic Integration's (SIECA) website: <http://www.sieca.int>.

In general, labels of consumer-oriented products are required to include the following basic information: product name; manufacturer's name; country of origin; , lot number; dates of manufacture and expiration; net content; ingredient list and applicable health warnings. For detailed information on labeling requirements, exporters may contact <http://www.fas.usda.gov>, Attaché Reports, Food and Agricultural Import Regulations and Standards – Narrative – Tegucigalpa, Honduras or the Ministry of Public Health at: [regulacionhon@yahoo.com](mailto:regulacionhon@yahoo.com).

## **Prohibited and Restricted Imports**

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Under the Financial Balance and Social Protection Act, imports of motor vehicles over ten years old, except classic collectible cars, and passenger buses over thirteen years old are prohibited. Imports of refurbished and right-hand drive vehicles are also prohibited. Import restrictions are also imposed on firearms and ammunition, toxic chemicals, pornographic material, and narcotics. Import restrictions are based on phyto-sanitary, public health, and national security factors.

## **Customs Contact Information**

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Questions pertaining to customs issues may be addressed to:

### **Customs and Tax Division**

(Dirección Adjunta de Rentas de Aduana)

Contacts: Mrs. Rosa María Borjas, Director

Raúl Ardón, Chief of FTA/Cafta Division

E-mails: [rmborjas@dei.gob.hn](mailto:rmborjas@dei.gob.hn); [rardon@dei.gob.hn](mailto:rardon@dei.gob.hn)

Address: Edificio Gabriel A. Mejía, Colonia Palmira

Tegucigalpa, Honduras

Tel: (504) 2238-4521; 2238-1514; 2238-5444; Fax: (504) 2238-3503

Customs Hotline Email: [gestion.aduanera@dei.gob.hn](mailto:gestion.aduanera@dei.gob.hn)

<http://www.dei.gob.hn>

## **Standards**

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## Overview

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Standardization efforts began in 1998, upon establishment of the Inter-Institutional Standardization Commission of the Ministry of Industry and Trade (SIC). The Commission includes representatives from the Ministry of Agriculture, Natural Resources & the Environment, Health, and Finance, as well as several other key organizations from the private sector. As of October 2006 (through executive decree 215-A-2006), standards-related duties and activities are the responsibility of the newly created National Standards Body (Organismo Nacional de Normalización, OHN) under the Science, Technology and Innovation Council (COHCIT), the technical secretariat of the National Quality Council (CNCA). The CNCA is under the umbrella of the National Competitiveness Commission, which is now part of the newly established Technical Ministry of Planning and International Cooperation. The main objectives of the standards governmental body are to:

- a) Formulate and coordinate the execution of normalization and quality control programs adequate to country needs;
- b) Integrate technical committees for individual normalization projects; and
- c) Formulate new national standards projects.

In general, standards issues and related technical obstacles do not pose a major hurdle for U.S. exporters. At present, work is being done in connection to defining the limits of the procedures described in Executive Decree 215-A-2006, particularly regarding voluntary compliance terms, in order to allow a practical development of the national standardization program. Honduras currently has sixty-two (62) national standards, issued by the new National Standards Body, OHN. With CAFTA-DR implementation, signatories are expected to intensify their joint work in the field of standards, technical regulations, and conformity assessment procedures with a view to facilitating regional trade.

## Standards Organizations

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The following sectors have been identified as some of the main productive areas for the potential development of standards in Honduras:

- Agro-industrial production
- Tourism
- Wood - Furniture
- Industrial Production

Honduras is also a subscriber member of the International Standards Organization (ISO) since January 2000. With CAFTA-DR implementation and other trade agreements, Honduran manufacturers are increasingly seeking international standards certification. The implementation of ISO certification for local companies is conducted by legally credited international standards institutions. There are 102 local companies currently certified under ISO 9001 and ISO 14001, and approximately 30 are in the process of obtaining certification.

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

**Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at: <http://www.nist.gov/notifyus>

## Conformity Assessment

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Among the most relevant national testing and conformity assessment bodies are:

- Ministry of Industry and Trade

<http://www.sic.gob.hn>

- Consumer Protection and Metrology Division

<http://www.sic.gob.hn>

- National Plant and National Health Service (SENASA)

<http://www.senasa-saq.gob.hn>

- National Laboratory of Residues (LANAR);

- Quality Control Lab for Veterinary Products;

<http://www.saq.gob.hn>

- Ministry of Health

General Directorate of Sanitary and Environmental Regulation

Food Control Lab

<http://www.salud.gob.hn>

- Ministry of Natural Resources and the Environment

CESCO (Pollution Control Research Center)

DECA (Environmental Control and Evaluation Directorate)

Mining Executive Directorate (DEFOMIN Laboratory)

<http://www.serna.gob.hn>

- Ministry of Finance

Customs and Tax Division

National Customs Laboratory

<http://www.dei.gob.hn>

- Official Laboratory of Honduran Chemical and Pharmaceutical Industry Association

- Other private laboratories such as Jordanlab, MQ, and the Honduran Foundation for Agricultural Research (FHIA).

## Product Certification

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With CAFTA-DR and other trade agreements, Honduran manufacturers are increasingly seeking international standards certification.

Certification requirements apply to the importation of certain products. Certificates of free sale and of origin are required for food items. Importers must provide certifications that the products will not cause damage to humans, animals or the environment. Specific certifications are also required according to the type of product to be imported. Imports of animal and plant origin require a phyto or zoo sanitary certificate. As part of CAFTA-DR, Honduras and the U.S. recognize each other's inspection systems in the manufacturing and processing of animals and products of animal origin as equivalent. In the case of medical and pharmaceutical products which are not for free or over-the-counter sale, a Sanitary Registration is also required.

The certificate of Free Sale (CFS) is issued by the appropriate state-level health authorities or the Chamber of Commerce of the United States. The certificate is requested to register the processed food product with the SRD. For registration purposes, the CFS should be accompanied by a document that provides an endorsement of the signatures that appear on the CFS. This document can be any of the following: An apostille that certifies that the CFS has been signed by a notary public of the state of origin of the CFS or by an authentication of the CFS by the Honduran Consulate. In both cases, the apostille or authentication should be provided with an official translation from the Ministry of Foreign Affairs in Honduras.

#### **Accreditation**

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The "Oficina Hondureña de Acreditación (OHA)", which operates under the umbrella of the Technical Ministry of Planning and International Cooperation (SEPLAN), is the official accreditation body in Honduras. Since 2005, OHA maintains a technical cooperation agreement with the Costa Rican Accreditation Entity (ECA). Additional information on OHA and ECA is available at:

<http://www.hondurascalidad.org/acreditacion.htm>

<http://www.eca.or.cr>

#### **Publication of Technical Regulations**

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Final technical regulations are published in the local government newspaper "La Gaceta". Honduras' national gazette is available only through printed copies purchased from the National Graphic Arts Company, Tel. (504) 230-3026. New laws and regulations approved by the government's executive branch become effective on the date of publication.

#### **Labeling and Marking**

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The content, weight and measurement of products sold in Honduras shall be expressed in officially recognized metric and decimal system units.

Products are required to provide the following label information in Spanish:

- Product definition/description
- Name of the product (the official name as noted on the U.S. Certificate of Free Sale)
- Physical characteristics, including ingredients (must be qualitative composition, translated literally from English)
- Net weight/volume
- List of ingredients and additives and the total percentage for each



- Name, address and telephone number of Honduran distributor/representative
- Sanitary License registration number from the Ministry of Health
- Expiration date

Imported sample-sized products must comply with labeling laws. Bulk-packed food products do not require labeling unless they will be sold at the retail level as an individual unit. Honduras has no requirements regarding nutritional labeling, and it uses the Codex Alimentarius as a guideline. Labels should not indicate that the product has therapeutic, healing, or any other attributes not normally associated with the product.

The declared net content must be expressed in International System (SI) units; additional net content declaration in other units is optional. Small variations in net content are permitted, but must not be excessive. Honduras does not require a specific container size for any products.

Pharmaceutical products need to have active ingredients listed, and include a sell-by date. Cigarettes and alcoholic beverages must contain a warning label that complies with the IHADFA (Instituto Hondureño para la Prevención del Alcoholismo, Drogadicción y Farmacodependencia). Pharmaceutical products and pesticides must be labeled in Spanish if possible. The Ministry of Public Health enforces product labeling requirements for food and pharmaceutical products, while the Ministry of Agriculture enforces labeling requirements for pesticides.

Personal Hygiene, Homecare and Cosmetic Products do not require legal registry like pharmaceutical products, but, depending on the product, may require a registration process if requested by the Ministry of Health.

## **Trade Agreements**

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CAFTA-DR supplanted the earlier Caribbean Basin Initiative and later Caribbean Basin Economic Recovery Act trade benefits. CAFTA-DR liberalized bilateral trade between the United States and the region and also furthered integration efforts among the countries of Central America, removing barriers to trade and investment in the region by U.S. companies. CAFTA-DR requires countries to undertake needed reforms to alleviate systemic problems in such areas as customs administration; protection of intellectual property rights; services, investment, and financial services market access and protection; government procurement; sanitary and phyto-sanitary (SPS) barriers; and other non-tariff barriers.

The final act of the Multilateral Commercial Negotiations of the Uruguay Round, which established the World Trade Organization (WTO), was signed by Honduras on April 15, 1995. Since 1961, Honduras has also been a member of the Central American Common Market (CACM), which includes Costa Rica, El Salvador, Nicaragua, and Guatemala. Panama, although not a full member of the CACM, has participated in CACM activities. As of January 2009, the harmonized tariff level, as the common external tariff between CACM countries, was 94 percent of the entire customs duty schedule.



Members of the Northern Triangle CA-3 (Honduras, Guatemala, and El Salvador) signed a free trade agreement (FTA) with Mexico that went into effect in June 2001. Honduras has signed free trade agreements with Colombia, Panama, Chile, and Taiwan. At the regional level, a free trade agreement went into effect with the Dominican Republic in December 2001. The Government of Honduras recently concluded FTA negotiations with Canada. An Association Agreement between Central America and the European Union is likely to enter into force in 2012.

Central America established a common external tariff schedule in 1998. Six countries signed a revised protocol for economic integration and macroeconomic coordination in October 1993. The integration protocol allows Central American countries to advance at varying rates toward more open trade. The “CA-3” has moved the most rapidly to eliminate trade barriers among themselves and is in the process of eliminating customs inspections at their common borders, relying instead on electronic documentation filed in advance.

Additional information on Honduras’s bilateral and multilateral trade agreements is available at: [http://www.sic.gob.hn/tratados\\_suscritos/](http://www.sic.gob.hn/tratados_suscritos/)

#### **-Contact Information**

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##### National Standards Body

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##### National Quality System

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<http://www.export.gov/honduras>

#### **Web Resources**

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- Honduran Ministry of Industry & Trade: <http://www.sic.gob.hn>
- National Directorate for Competitiveness & Innovation: <http://www.seplan.gob.hn>
- National Quality System: <http://www.hondurascalidad.org>
- Secretariat for Central American Economic Integration <http://www.sieca.org.gt>
- Honduran Private Enterprise Council: <http://www.cohep.com>
- Chamber of Commerce of Tegucigalpa: [www.ccit.hn](http://www.ccit.hn)
- Chamber of Commerce of Cortés: [www.ccichonduras.org](http://www.ccichonduras.org)
- Honduran Customs Office: <http://www.dei.gob.hn>
- U.S. Department of Commerce: <http://www.export.gov/FTA/cafta-dr>
- USDOC Bureau of Industry & Security: <http://www.bis.gov>
- Foreign Agricultural Service: <http://www.fas.usda.gov>
- National Institute of Standards & Technology: <http://www.nist.gov/notifyus>

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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The Government of Honduras views foreign investment as crucial for economic growth and development. In July 2011, the National Congress passed a new Law for the Promotion and Protection of Investments, which authorizes enhanced benefits for new domestic and foreign investment. After government auditors published findings of widespread corruption and inefficiency at Puerto Cortés, Honduras' signature port, President Porfirio "Pepe" Lobo suspended the port's management team and replaced it with an intervention committee, which recommended that the port be run as a public-private partnership.

In 2011, the Honduran economy continued its modest recovery from the effects of the global economic crisis and the 2009 coup d'état, both of which created an atmosphere of uncertainty leading to a virtual halt in international and domestic investment. GDP growth for 2010 was 2.8 percent, following a 2.1 percent contraction of GDP in 2009. Preliminary estimates indicate that the GDP grew at approximately 3 to 3.5 percent in 2011.

On August 5, 2004, the United States signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or Agreement) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic (the Parties). The Agreement entered into force in 2006. Under the Agreement, the Parties are significantly liberalizing trade in goods and

services. CAFTA-DR also includes important disciplines relating to customs administration and trade facilitation, technical barriers to trade, government procurement, investment, telecommunications, electronic commerce, intellectual property rights, transparency, and labor and environmental protection. In 2011, business community representatives expressed concern that an advance tax on income from the sale of imported goods contained in a tax reform law violated CAFTA-DR.

The Honduran government is generally open to foreign investment, with limited restrictions and performance requirements. Some U.S. investors historically have experienced long waiting periods for environmental permits and other regulatory and legislative approvals. However, waiting periods for environmental permits shortened in 2011, and the Ministry of the Presidency is leading an effort to shorten waiting periods for other types of approval. Sectors in which U.S. companies most frequently encounter problems include infrastructure, telecoms, and energy. Low labor costs, proximity to the U.S. market, and Central America's best Caribbean port (Puerto Cortés) make Honduras attractive to investors. At the same time, however, Honduras's investment climate is hampered by high levels of crime, a weak judicial system, corruption, low educational levels and poor transportation and other infrastructure.

The Constitution of Honduras requires that all foreign investment complement, but not substitute for, national investment. A new Investment Law, passed in 2011, replaces the 1992 Investment Law, which previously governed investment conditions in Honduras. The 2011 law guarantees national treatment to foreign private firms in Honduras, with few exceptions, and includes enhanced benefits in the areas of insurance and arbitration for domestic and foreign investors. CAFTA-DR, which has equal status in Honduras with the Constitution, requires national treatment and most favored nation treatment for U.S. investors in most sectors of the Honduran economy. The obligations of the CAFTA-DR Investment Chapter supersede equivalent provisions in the 2011 Investment Law since under the Honduran Constitution international treaties are self-executing.

The 2011 Investment Law requires that all local and foreign direct investment be registered with the Investment Office in the Secretariat of Industry and Commerce. Upon registration, an investor is issued an investment certificate, which provides investment protection under the law and guarantees investors' international arbitration rights. These rights are further reinforced under CAFTA-DR.

The 2011 Investment Law does not limit foreign ownership of businesses, except for those specifically reserved for Honduran investors, e.g., small firms with capital less than 150,000 Lempiras (about USD 7940). For all investments, at least 90 percent of a company's labor force must be Honduran, and at least 85 percent of the payroll must be paid to Hondurans. Majority ownership by Honduran citizens is required for companies that wish to take advantage of the Agrarian Reform Law, engage in commercial fishing, forestry, or local transportation activities, serve as representatives, agents, or distributors for foreign companies, or operate radio and television stations.

Additionally, government authorization is required for both foreign and domestic investors in the following areas:

- Basic health services,
- Telecommunications,
- Generation, transmission, and distribution of electricity,

- Air transport,
- Fishing, hunting and aquaculture,
- Exploitation of forestry resources,
- Investigation, exploration, and exploitation of mines, quarries, petroleum and related substances,
- Agricultural and agro-industrial activities exceeding land tenancy limits established by the Agricultural Modernization Law of 1992 and the Land Reform Law of 1974,
- Insurance and financial services, and
- Private education services.

Under the current version of the Government Contracting Law, which originally entered into force in October 2001 and was amended based on the CAFTA-DR Government Procurement Chapter, all public contracts of more than 1 million Lempiras (about USD 53,000) must be offered through public competitive bidding. Public contracts between 500,000 and 1 million Lempiras (USD 26,000 - 53,000) can be offered through a closed bid, and contracts less than 500,000 Lempiras (USD 26,000) are exempt from the bidding requirements. CAFTA-DR eliminated the requirement that foreign firms act through a local agent (at least 51 percent Honduran-owned) to participate in public tenders.

CAFTA-DR requires fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures. Under CAFTA-DR, U.S. suppliers are permitted to bid on procurements covered by the agreement for most Honduran government entities, including key ministries, on the same basis as Honduran suppliers. The anti-corruption provisions require each government to ensure that bribery in matters affecting trade and investment, including in government procurement, is treated as a criminal offense, or is subject to comparable penalties, under its law. However, there have been few trials for bribery or corruption despite a widespread perception that corruption is a serious problem. Since CAFTA-DR came into effect, government agencies frequently declare “emergencies” to circumvent competitive bidding procedures for public procurements, including for large infrastructure projects. In 2011, the government and Honduran National Congress received widespread criticism for authorizing the National Electrical Energy Company (ENEE) to use emergency procurement authorities to enter into a sixteen-year thermal energy purchase agreement. Honduras is not a signatory to the WTO Agreement on Government Procurement.

In 2002, the Government of Honduras ratified a law for the simplification of administrative procedures for establishing a company. Since this legislation went into effect, the government has made significant improvements in streamlining procedures and eliminating administrative obstacles. According to the 2011 World Bank Doing Business Index, the time required for establishing an enterprise was reduced to an average of 14 days in 2010 from 21 days in 2008. This average is second best in Central America and the Caribbean (tied with Columbia and behind Mexico and Panama, each with 9 days) and significantly less than the 2011 Latin America average of 36 days. Under the leadership of the Ministry of the Presidency, the Government of Honduras is working to further improve its competitiveness, based on the recommendations of the Doing Business Index. Foreign businesses setting up operations in Honduras are subject to the Commercial Code, which recognizes several types of mercantile organizations: individual ownership, general partnership, simple limited partnership, limited liability company, corporation and joint stock company.

The United States-Honduras Bilateral Investment Treaty (BIT) entered into force in 2001. CAFTA-DR contains an Investment Chapter. An exchange of letters posted at <http://www.ustr.gov> addresses the relationship between these two agreements.

The Law for the Defense and Promotion of Competition went into effect in 2006. The law established the Commission for the Defense and Promotion of Competition (CDPC), which conducts investigations regarding price collusion and other anti-competitive practices. Some U.S. investors have claimed that they were subjected to anticompetitive practices before the law went into effect. In November 2010, after a two-year investigation, the CDPC fined two cement companies 87 million Lempiras (approximately USD 4.6 million) for violating Honduras's competition law by engaging in price collusion. The CDPC has also issued findings on anti-competitive practices in other sectors, including banking, the pharmaceutical industry, and the sugar industry.

#### Honduras's Rankings on Select Competition Indicators

Measure	Year	Index/Ranking
TI Corruption Index	2011	2.6/ 129 of 183
Heritage Economic Freedom	2011	58.6/99 of 179
World Bank Doing Business	2011	131 of 183
MCC* Gov't Effectiveness	2012	0.19 (0.0)
MCC Rule of Law	2012	0.06 (0.0)
MCC Control of Corruption	2012	-0.08 (0.0)
MCC Fiscal Policy	2012	-3.1 (-2.7)
MCC Trade Policy	2012	77.1 (69.1)
MCC Regulatory Quality	2012	0.53 0.0)
MCC Business Start Up	2012	0.948 0.948)
MCC Land Rights Access	2012	0.663 (0.638)
MCC Natural Resource Protection	2012	97.5 (71.2)

\* MCC indicators measure Honduras's performance relative to the median score for all countries in the Low Income Country category. This median score is in parenthesis next to Honduras's score. Scores above the median are considered as passing. Scores on or below the median are considered as failing.

#### Conversion and Transfer Policies

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The 2011 Investment Law guarantees foreign investors access to foreign currency needed to transfer funds associated with their investments in Honduras. This includes:

- Imports of goods and services necessary to operate,
- Payment of royalty fees, rents, annuities and technical assistance, and
- Remittance of dividends and capital repatriation.

In 2011, the Central Bank of Honduras (BCH) abandoned the de facto fixed exchange rate that had been in place since 2005 and reintroduced a crawling peg that allows the Lempira to fluctuate by 7 percent against the U.S. dollar in either direction. The BCH

mandated that the crawling peg is subject to the further restriction that any daily price be no greater than 100.075 percent of the average for the prior 7 daily auctions. This secondary restriction limits devaluation to a maximum of approximately 4.8 percent annually (assuming the maximum devaluation daily). The exchange rate has changed very little under the crawling peg. The Central Bank initially had a very difficult time meeting demand for U.S. dollars, and foreign exchange reserves declined following the introduction of the crawling peg. However, the level of reserves continued to increase, covering 3.3 months of imports at the end of 2011. The Central Bank uses an auction system to regulate the allocation of foreign exchange. Regulations governing the auction system were published on November 26, 2007. These establish the following:

- The base price is established every five auctions according to the differential between the domestic inflation rate and the inflation rate of the main commercial partners of Honduras;
- The procedure to determine the base price is set by the Central Bank's Board of Directors;
- The Board of Directors establishes through resolutions the exchange commission to be charged by the Central Bank and the exchange agencies in their foreign exchange transactions;
- Individuals and corporate bodies can participate in the auction system for dollar purchases, either by themselves or through an exchange agency expressing the offered price in Lempiras with a maximum of four decimals. The offers can be no less than USD 10,000 nor more than USD 300,000 for individuals, and cannot be more than USD 1.2 million for corporations.

Additional information on the Central Bank's auction system is available at <http://www.bch.hn>. To date, the U.S. Embassy in Honduras has not received complaints from individuals with regard to converting or transferring funds associated with investments.

## **Expropriation and Compensation**

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The Honduran government has the purported authority to expropriate property for purposes of land reform or public use. The National Agrarian Reform Law provides that idle land fit for farming can be expropriated and awarded to indigent and landless persons. In order to obtain land under this provision, impoverished farmer groups often invade or illegally occupy land owned by private companies. The occupants then file for the land under the Agrarian Reform Law with Honduran National Agrarian Institute (INA). While government expropriation of land owned by U.S. companies is not common, disputes related to land seizure actions are relatively common for both Honduran and foreign landowners, most notably those in the agricultural sector. In most cases, landowners have found that pursuing the subsequent legal avenues is costly and time consuming and rarely leads to conclusive results.

Compensation for land expropriated under the Agrarian Reform Law, when awarded, can be paid partly in cash and partly in 15-, 20- or 25-year government bonds. The portion to be paid in cash cannot exceed USD 1000 if the expropriated land has at least one building; it cannot exceed USD 500 if the land is in use but has no buildings; and if the land is not in use, compensation will be paid entirely in 25-year government bonds.

Violence in the Bajo Aguan region, where there have been tensions between agricultural workers' groups and landowners for years, has claimed a number of lives. In 2011, the government brokered the sale of land to an agricultural workers' group in an attempt to bring an end to the violence. This region continues to be plagued by squatters, land invasions, and violence.

## **Dispute Settlement**

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The Honduran government has a poor record of handling investment disputes due to an outdated commercial code and a weak judicial system. The Honduran Commercial Code, which was enacted in 1950, is the main legislation that regulates the operations of businesses in the country. The application of the Commercial Code and its regulations falls under the jurisdiction of the Honduran civil court system.

U.S. claimants frequently complain about the lack of transparency and the slow administration of justice in the courts. There are also complaints of favoritism, external pressure and bribes within the judicial system. While some U.S. firms have satisfactorily resolved their cases through the courts, the majority have difficulty navigating the legal system. Many U.S. citizens have complained about the quality of legal representation they receive from Honduran attorneys.

A new Civil Procedures Code (CPC), approved by the Honduran Congress in January 2007, went into effect on November 1, 2010, replacing a code that had been in effect since 1906. Its goal is to transform the entire civil-court system by establishing open, oral arguments for adversary proceedings, which will now be recorded. The CPC may provide more effective protection of commercial transactions, property rights, and land tenure and create a more efficient process for the enforcement of rulings issued by foreign courts.

CAFTA-DR provides dispute settlement procedures between the United States and Honduras. Domestically, Honduras's Conciliation and Arbitration Law (Decree 161-2000), which seeks to encourage arbitration and clarify the procedures under which it takes place, entered into force in March 2001. In September 2001, Centers for Conciliation and Arbitration were established within the Chambers of Commerce and Industry in Tegucigalpa and San Pedro Sula. The new investment law permits investors to request arbitration directly, eliminating the previous requirement to include an arbitration clause in investment contracts. Arbitration and conciliation are generally considered swifter and more cost-effective means of resolving disputes between commercial entities, and there may be the additional advantage that the arbitrator or mediator may have specialized expertise in the technical area involved in the dispute. Honduras has been a member of the ICSID (International Center for the Settlement of Investment Disputes) since March 1989.

## **Performance Requirements and Incentives**

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There are relatively few performance requirements in Honduras. The 2011 Investment Law guarantees to all foreign investors the freedom to export and import, and eliminated the requirement of prior administrative permits and licenses, except for statistical registries and customs procedures.



Under CAFTA-DR, Honduras granted U.S. services suppliers substantial access to its services market, including financial services. Application procedures for service suppliers in all sectors are generally simple, clear and non-discriminatory. Honduras's service sector is widely accessible to foreign companies evidenced by U.S. companies' participation in the Honduran banking, insurance, and accounting markets. In both the banking and insurance sectors, foreign companies generally operate on equal footing with local companies as long as the foreign company establishes a branch or subsidiary in Honduras. However, there are restrictions on cross-border services and offshore operations. Insurance may not be offered on a cross-border basis, and a foreign bank wishing to operate offshore must establish a representative office in Honduras, which entails cumbersome reporting requirements and procedures. Furthermore, a Honduran branch of a foreign bank may only operate based on its capital in Honduras, not on its global or regional capital.

Honduran law prohibits discriminatory or preferential export and import policies affecting foreign investors. In practice, however, the Honduran government has at times used sanitary and phyto-sanitary requirements to prevent imports of U.S. feed grains Honduras. Under CAFTA-DR, Honduras agreed to apply the science-based disciplines of the WTO Agreement on Sanitary and Phyto-sanitary Measures. As a result, Honduras installed a National Sanitary and Phyto-sanitary Measures Committee and recognizes the equivalence of the U.S. food safety and inspection systems for beef, pork, and poultry, thereby eliminating the need for plant-by-plant inspections of U.S. producers. All imported foodstuffs must be registered with the Sanitary Regulations Directorate (previously the Division of Food Control) after which it issues a sanitary registration number. Some U.S. businesses have complained that delays in the process of granting these permits hamper their abilities to import products into Honduras. U.S. companies have also reported that these regulations are not always strictly enforced for Honduran companies. This may place U.S. companies that comply with the regulations at a disadvantage.

In 1999, the Honduran National Congress passed a Tourism Incentives Law, which offers tax exemptions for national and international investment in tourism development projects. The law provided income tax exemptions for the first 10 years of the project and permitted the duty-free import of goods needed for the project, including publicity materials. In June 2002 a reformed law was passed, offering the same basic incentives, but with a narrower definition of who may qualify for the incentives. This change was due in large part to the saturation of the fast food and restaurant market since many franchises established locations in Honduras under the duty-free incentives of the 1999 law. The reforms excluded restaurant and other enterprises including casinos, nightclubs and movie theaters from the law's benefits. In addition, a requirement was added that a business must be located in a designated tourism zone to qualify for tax exemptions and duty-free status.

Foreigners or foreign companies seeking to purchase property exceeding 3,000 square meters in size for tourism or other development projects in designated tourism zones must present an application to the Honduran Tourism Institute at the Ministry of Tourism. In addition to providing the required personal information, the potential buyer must also prove that a contract to buy a specific property exists and that the project is registered with the Honduran Tourism Institute. The buyer must also present feasibility studies and plans about the proposed tourism or economic development project.

## **Right to Private Ownership and Establishment**

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The 2011 Investment Law guarantees both local and foreign investors the right to own property, subject to certain restrictions established by the Honduran Constitution and several laws relating to property rights. This guarantee includes the right to free acquisition, profit, use, disposition and any other right attributable to property ownership. The major exception is the constitutional prohibition of foreign ownership of land within 40 kilometers of international borders and shorelines although Honduran law now permits foreign individuals to purchase properties in designated “tourism zones.” Investors have the right to freely establish, acquire and dispose of interests in business enterprises at market prices under freely negotiated conditions and without government intervention. Private enterprises compete on an equal basis with public enterprises with respect to access to markets, credit and other business operations.

## **Protection of Property Rights**

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Secured interests in property, both movable and real, are recognized under Honduran law. Since 2006, the Chamber of Commerce and Industry of Tegucigalpa (CCIT) has managed the national mercantile registry. In January 2010, secured transaction reform legislation came into effect, creating the legislative framework for movable assets to be used as collateral. Honduras’ secured transactions law gives a concession to the CCIT to administer the registry, which began operating in January 2011. As of December 2011, the secured transactions registry had over 3,800 registered assets.

Inadequate land title procedures have led to numerous investment disputes involving U.S. nationals who are landowners. Title insurance is not widely available in Honduras and approximately 80 percent of the privately-held land in the country is either untitled or improperly titled. Resolution of disputes in court often takes years. There have been claims of widespread corruption in land sales, deed filing, and dispute resolution, including claims against attorneys, real estate companies, judges, and local officials. Although some progress has been achieved, particularly in the Bay Islands, the property registration system is highly unreliable, which represents a major constraint on investment. In addition, a lack of implementing regulations leads to long delays in the awarding of titles in some regions. A law passed in April 2008 authorized the government to award certain agricultural lands that have been under dispute for more than two years to illegal occupants with only nominal compensation to legal titleholders. This law was declared unconstitutional by the Supreme Court and was repealed in 2011. However, Congress agreed to let stand land seizures based on this law. A number of properties of U.S. citizens were subject to confiscation under this law.

According to the 2011 World Bank’s Doing Business Index (DBI), registering property in Honduras requires seven procedures, takes 23 days, and costs 5.5 percent of the property value.

The legislative framework for protection of intellectual property rights (IPR) is generally adequate, but laws are not always effectively implemented. The Property Institute (IP), Ministry of Industry and Commerce, and Public Ministry handle protection and enforcement of intellectual property rights.

Honduras largely complied with the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement by the January 1, 2000 deadline. In December 1999, the

Honduran Congress passed two laws to correct deficiencies in previous legislation concerning copyrights, patents and trademarks. The Copyright Law added more than 20 different criminal offenses related to copyright infringement and established fines and suspension of services that can be levied against offenders. The Law on Industrial Property, which covers both trademarks and patents, included modifications on patent protection for pharmaceuticals, extending the term from 17 to 20 years to meet international standards. However, the illegitimate registration of well-known trademarks has been a problem. Honduran law protects data exclusivity for a period of five years, and protects process patents, but it does not recognize second-use patents.

CAFTA-DR provides for the protection and enforcement of a broad range of intellectual property rights, which are consistent with U.S. and international standards as well as with emerging international standards of IPR protection and enforcement. Provisions include state-of-the-art protections for patents, trademarks, undisclosed test and other data submitted to obtain marketing approval for pharmaceuticals and agricultural chemicals, and digital copyrighted products such as software, music, text, and videos. There are also provision on deterrence of piracy and counterfeiting. Additionally, CAFTA-DR provides authorities the ability to confiscate pirated goods and investigate intellectual property cases on their own initiative.

During the implementation process of its CAFTA-DR IPR obligations, Honduras undertook legislative reforms providing for stronger IPR protection and enforcement. However, as of the end of 2011, implementing regulations for some of these laws were still under discussion. In 2006, Honduras strengthened its legal framework with the passage of new laws to provide stronger deterrence against piracy and counterfeiting by, for example, requiring the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. The new legislation also provided for the establishment of statutory damages for copyright and trademark infringement, to ensure that monetary damages can be awarded even when losses associated with an infringement are difficult to assign. Honduras has not passed legislation governing the designs of integrated circuits or plant variety protection to bring the country into compliance with its CAFTA-DR commitments.

The Honduran government lacks the necessary personnel and resources to wage a truly effective campaign against IPR infringement. Although prosecutors have the authority to seize pirated and counterfeit goods when found, they do not have the ability to prosecute cases without a formal written complaint from an injured party. This complicates and prolongs an already lengthy judicial process. Further exacerbating the process is a lack of transparency.

Honduras became a member of the World Intellectual Property Organization (WIPO) in 1983, and became party to the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonogram Treaty (WPPT) in May 2002.

## **Transparency of Regulatory System**

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CAFTA-DR requires that proposed regulations that could impact businesses or investments be published for public comment prior to passage. The Secretariat of Industry and Commerce sometimes publishes draft regulations on its website. However, the Honduran government does not routinely publish regulations before they enter into force and there is no formal mechanism for providing proposed regulations to the public

for comment. The lack of a formal notification process excludes most non-governmental groups, including foreign companies, from commenting on proposed regulations. Regulations must be published in the official government Gazette in order to enter into force. Honduras lacks an indexed legal code, and lawyers and judges must maintain and index the publication of laws on their own. Procedural red tape to obtain government approval for investment activities is very common. President Lobo has designated one of the three Presidential Designates (Vice President equivalents) as a direct point of contact for foreign investors who have failed to obtain satisfactory results after going through the correct official channels. Foreign market participants who are represented locally and are members of major business organizations essentially have access to the same information as their Honduran counterparts.

The Honduran legal system is neither efficient nor transparent. U.S. claimants frequently complain about the lack of transparency and the slow administration of justice in the courts. There are also complaints that the Honduran judicial system suffers from favoritism, external pressure and bribes. While some U.S. firms have satisfactorily resolved their cases through the courts, the majority have difficulty navigating the legal system. Many U.S. citizens have also complained about the quality of legal representation they receive from Honduran attorneys.

#### **Efficient Capital Markets and Portfolio Investment**

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There are no government restrictions on foreign investors' access to local credit markets. However, the local banking system is conservative and generally extends only limited amounts of credit. As of November 2010, the average lending rate for a loan in Lempiras was 19.03 percent, up from 18.97 percent a year earlier, and 9.98 percent for a loan in U.S. dollars, down from 10.41 percent a year earlier. Local banks should not be considered a significant source for start-up capital for new foreign ventures unless they use specific business development credit lines made available by bilateral or multilateral financial institutions, such as the Central American Bank for Economic Integration.

There are a limited number of credit instruments available in the local market. The only security exchange operating in the country is the Central American Securities Exchange (BCV) in Tegucigalpa (<http://www.bcv.hn>), but investors should exercise caution before buying securities listed on the BCV. The Central American Securities Exchange is supervised by the National Banking and Insurance Commission (CNBS). Instruments that theoretically can be traded include bankers' acceptances, repossession agreements, short-term promissory notes, Honduran government private debt conversion bonds and land reform repayment bonds. However, in practice, the market is almost completely composed of short- and medium-term government securities, and no formal secondary market for these bonds exists. A few banks have placed fixed rate and floating rate notes which have extended out to 3 years in maturity, but outside of the banks' issuances the private sector does not sell debt or corporate stock on the exchange. Any private business is eligible to trade its financial instruments on the exchange, and firms that participate are subject to a rigorous screening process, including public disclosure and ratings by a recognized rating agency. Historically, traded firms generally have had economic ties to the different business/financial groups represented as shareholders of the exchange, which has led to lax risk management practices and an enduring loss of public confidence in the institution.

The Honduran financial system is comprised of commercial banks, state-owned banks, savings and loans institutions, and financial companies. The banking system's total assets as of September 2011 were USD 13 billion according to the National Commission of Banking and Insurance. Of this total, about 3 percent of the total asset base is considered to be non-performing. There are currently 17 commercial banks operating in Honduras of which 10 have majority foreign ownership. There is no off-shore banking in Honduras.

In September 2004, following a recommendation by the IMF, the Honduran Congress passed a set of four financial sector reform laws to improve supervision of the banking system. The laws reformed the Deposit Insurance Fund, the Central Bank, the National Banking and Insurance Commission, and the general system of financial supervision. A fifth law, passed in December 2004, established new and stronger penalties for financial crimes including bank fraud. The major problem with implementation of these laws is a lack of random selection in the auditing process.

### **Competition from State Owned Enterprises**

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Most state-owned enterprises are public utilities, including telephone, electricity, and water as well as commercial ports. Over the past decade, there have been some successful privatization efforts.

In September 2003, the Honduran government opened the telecommunications market for sub-operators to provide services under contract with Hondutel, Honduras's state-owned telephone company. Under this program, foreign and domestic carriers register with Honduras's regulatory body, Conatel, as sub-contractors for Hondutel fixed telephony services. Hondutel officially lost its monopoly on fixed-line telephony services in 2005. Approximately 40 foreign and domestic firms have entered into "sub-operator" contracts with Hondutel. Although the elimination of Hondutel's legal monopoly was a positive step towards liberalization of the telecom sector, a legal framework through which foreign companies can obtain licenses and concessions to provide long distance and international dialing has not yet been established. Investors remain unsure of whether they may legally establish themselves as fully independent telecommunication service providers.

Legislation to liberalize the telecommunications market has been under discussion by the Honduran Congress for several years. As of January 2012, neither the comprehensive telecommunications reform bill nor implementing regulations that would level the playing field for foreign investors had been passed by Congress. Currently, all sub-operators must obtain approval from Congress. Cellular telephone services are open to full private ownership. TIGO Honduras (formerly Celtel and a subsidiary of Millicom International) signed the first mobile telecommunications concession in August 1995 and started operations in June 1996. Claro (formerly Megatel and a subsidiary of América Móvil) received the second license and started operations in 2003. Hondutel awarded itself the third of three cellular licenses on a noncompetitive basis in 2006 and started operations in 2007. In January 2008, Digicel, a Jamaican-Irish company that is the largest telecommunications operator in the Caribbean and a recent entrant to the Central American market, beat three other international firms to win a fourth cellular license with a bid of USD 80 million. Digicel's operations in Honduras were acquired by Claro in March 2011.

Although most electricity generation in Honduras is in private hands, the state-owned National Electric Energy Company (ENEE) retains a monopoly over transmission and distribution. ENEE controls most hydroelectric generation, which accounts for about one-third of total capacity. The remaining power generation comes from diesel and fuel oil plants. ENEE has been losing money for years, including a loss of more than USD 100 million in 2010. ENEE badly needs additional investment in transmission lines and other infrastructure as well as improvements to its collection and internal controls. An estimated 20-25 percent of total electricity produced is lost through illegal hook-ups and leakage. In 2011, localized electricity shortages led to power rationing and rolling blackouts across the country, particularly in the west and in northern coastal areas. An August 2011 emergency energy decree allowed for the direct purchase of diesel-generated power. This decree, and ENEE's subsequent decision to enter into a non-competitive sixteen-year contract for thermal energy, were widely criticized by the press and leading business associations. The government has sought to bring additional renewable power onto the grid, mainly from new hydroelectric projects, and it has a strong legal framework and incentives to encourage renewable energy development. Commercial operation has begun on a 51 turbine 100 megawatt (MW) wind farm that is expected to be fully operational by mid-2012. In September 2010, the National Congress approved more than 50 contracts between ENEE and private producers for almost 700 MW of new clean energy, but completion of the vast majority of those mostly hydroelectric projects is not expected before 2017. Many businesses are opting to install their own on-site power generation systems to supplement or substitute for power from ENEE.

All water distribution systems are managed by the national government except for those in San Pedro Sula, which has granted a 30-year concession to a private company, and Puerto Cortés and Choloma, where the municipalities have created public-private partnerships. A 2003 law grants municipalities the right to manage water distribution themselves and to grant concessions to private enterprises. The law established a transition period of five years from its date of publication, after which the current national water service, SANAA, was to be disbanded as a utility and exist only to provide technical assistance to the new service providers. The period for completing this transition was extended until 2013 and no water systems have been transferred to date.

In July 2011, following findings of corruption and inefficiency at Puerto Cortes by the Superior Accounting Tribunal (TSC), President Lobo appointed an Intervention Commission to replace the National Port Company (ENP), the government body that oversees port management, as the authority over operations at Puerto Cortes, general management. This Commission was charged with developing a plan for dramatically improving the port's efficiency and regional competitiveness. The Commission was authorized by the Council of Ministers in December 2011 to take any necessary measures to attract both public and private investment to the port, address environmental issues, and modify tariffs, as appropriate. Concurrently, the government plans to expand the port through dredging and constructing new terminal facilities using funds it secured from the Inter-American Development Bank (IDB) and the Central American Bank for Economic Integration. The IDB and National Revenue Authority, which oversees customs operations and procedures, launched the IDB-funded expansion project of Puerto Cortés in October 2011. All improvements to the port are expected to be executed taking into consideration the work of the Intervention Commission and the IDB-funded modernization project.



Management of Honduras's four international airports was turned over to a consortium with majority U.S. investment in October 2000, the only major privatization effort in recent years. The agreement between the consortium and the government was re-negotiated in 2003 due to a dispute over financing, and the new agreement was approved by the Honduran Congress in 2004. Controversy continued over the terms of this agreement, and U.S. investors divested from this consortium in 2005. The airports concession was acquired by Honduran investors. In December 2011, the government approved the extension of this concession to 2040.

### **Corporate Social Responsibility**

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Awareness of corporate social responsibility (CSR) is growing among both producers and consumers in Honduras. An increasing number of local and foreign companies operating in Honduras are incorporating CSR practices into their business strategies. This relatively new trend is having a positive impact on corporate governance, philanthropy, and business ethics.

The Honduran Corporate Social Responsibility Foundation (Fundahrse) was established in 2003 and is successfully leading efforts to promote transparency in the business climate and to provide the Honduran private sector, particularly small- and medium-sized businesses, with the skills to engage in responsible business practices. Fundahrse's members can apply for the foundation's "CSR Enterprise" seal for their exemplary responsible business conduct involving activities in health, education, environment, codes of ethics, employment relations, and responsible marketing. Thirty-nine companies, including nine American companies, were recognized by Fundahrse in 2011 for their CSR efforts.

### **Political Violence**

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In January 2012, democracy was restored following the June 2009 coup d'état with the inauguration of President Lobo, and political tensions diminished further with the return of former President Zelaya, who was ousted in the coup, in May 2011. In the country as a whole, levels of crime and violence are high, and represent a major constraint on investment. In a World Bank survey conducted in 2006 of both Honduran and foreign firms operating in Honduras, the combined costs of expenses devoted to security measures (hiring security guards, installing alarms, etc.) and loss of annual sales due to security incidents totaled 4.5 percent of sales. The security situation has worsened since 2006 and consequently current security-related costs to business may be higher.

### **Corruption**

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the

foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational



business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Some U.S. firms and citizens have found corruption, including in the judiciary, to be a significant concern and a constraint to successful investment in Honduras. Corruption is pervasive in government procurement, issuance of government permits, real estate transactions (particularly land title transfers), performance requirements, and the regulatory system. The telecommunications and energy sectors have proven particularly problematic. Honduras' judicial system is widely perceived to be subject to outside influence, and the resolution of investment and business disputes involving foreigners is largely nontransparent. In its 2011 Corruptions Perceptions Index, Transparency International ranked Honduras 129th out of 183 countries (#1 being the least corrupt) and named Honduras as the fourth-most corrupt country in the Western Hemisphere. This has affected Honduras's ability to attract foreign investment; the country ranks 131st out of 183 countries (#1 being the best) in the 2011 World Bank Doing Business Index.

Two codes regulate justice and provide for penalties against corruption: the Penal Procedures Code (PPC) and the Penal Code (PC). In 2002, a reform of the PPC entered

into force, changing the criminal judicial system from a traditional written inquisitorial trial system to an adversary, oral, and public trial system. The new PPC is improving justice and accountability in a number of ways, including increased transparency in the criminal justice system.

The main responsibility for fighting corruption lies with the Public Ministry under the direction of the Attorney General (Fiscal General). In 2002, the Government created a new control entity, the Superior Accounting Tribunal (TSC), which brought together the Comptroller General of the Republic (CGR), the Directorate of Administrative Probity (ethics office) and the Office of State Assets under the direction of three members selected by Congress. The leadership of Honduras' port authority was suspended after the TSC published findings of corruption and inefficiency at Puerto Cortes.

The Institute for Access to Public Information is responsible for implementing Honduras' anti-transparency law. In 2011, the government introduced a 4-year inter-institutional transparency and anti-corruption plan (2011-2014), with implementation to be overseen by the Office of the Presidency, which seeks to reform government hiring and procurement, increase civil society's participation in budget processes and institutional mechanisms, and promote social awareness of the impact that corruption has on the country's development. The government has announced that it plans to establish the country's first-ever anticorruption law but has not yet introduced this legislation.

Bribery is a criminal act in Honduras and, depending on the degree of the offense, is subject to fines or incarceration. Honduras ratified the United Nations Convention against Corruption in 2005. A bribe to a foreign official is also a criminal act under U.S. law (the Foreign Corrupt Practices Act).

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180

countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## **Bilateral Investment Agreements**

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On July 12, 2001, a Bilateral Investment Treaty (BIT) between the United States and Honduras entered into force. The U.S.-Honduras Treaty of Friendship, Commerce and Consular Rights (1928) provides for Most Favored Nation treatment for investors of either country. The U.S. and Honduras also signed an agreement for the guarantee of private investments in 1955 and an agreement on investment guarantees in 1966. Most provisions of these agreements were superseded by CAFTA-DR. Honduras signed a Tax Information Exchange Agreement with the U.S. in 1992.

Provisions for investment are included in bilateral commercial treaties between Honduras and Costa Rica, El Salvador, Guatemala, Panama, the Dominican Republic, Canada, and the European Union. Honduras also has bilateral investment agreements with the United Kingdom and Spain. In May 2010, four Central American countries, including Honduras, agreed to enter into a free trade agreement with the European

Union, but it had not gone into effect by the end of 2011. In August 2011, Honduras signed a free trade agreement with Canada, which is still being negotiated.

#### **OPIC and Other Investment Insurance Programs**

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The U.S. Overseas Private Investment Corporation (OPIC) provides loan guarantees, which are typically used for large projects, and direct loans, which are reserved for projects sponsored by or substantially involving U.S. small businesses and cooperatives. OPIC can normally guarantee or lend from USD 100,000 to USD 250 million per project. OPIC also offers insurance against risks of currency inconvertibility, expropriation and political violence. In July 2004, OPIC concluded a new bilateral investment incentive agreement between the governments of the United States and Honduras. For additional information on OPIC financing, insurance, and other programs that assist U.S. businesses overseas, please visit <http://www.opic.gov>. Honduras is a party to the World Bank's Multilateral Investment Guarantee Agency (MIGA).

#### **Labor**

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Honduras has significant availability of labor for industries with a demand for relatively low skilled workers. Given the low average education level, there is a limited supply of skilled workers in all technological fields, including medical and high technology industries.

In general, Honduran labor laws closely mirror International Labor Organization standards. However, the laws are not always effectively implemented or enforced. Honduras has the lowest caseload of labor violations in the region and Ministry of Labor inspectors have faced criticism for not conducting thorough inspections. The maquila sector has made great strides in eliminating the worst forms of labor violations. Union officials remain critical of what they perceive as inadequate enforcement by the Ministry of Labor of workers' rights, particularly the right to form a union, bargain collectively, and be reinstated when unjustly fired for union organization activities. Through cooperation within the bipartite and tripartite commissions (unions, Ministry of Labor, private sector) and other venues, Ministry of Labor inspectors' access to maquila plants to enforce the labor code has improved, and Ministry of Labor has continued to work to increase its effectiveness in enforcing worker rights and child labor laws.

The labor law prescribes a maximum 8-hour workday and 44-hour week. There is a requirement for at least one 24-hour rest period every week. The Labor Code provides for a paid vacation of 10 workdays after one year, and 20 workdays after four years. The Constitution and Labor Code prohibit the employment of persons under the age of 16, with the exception that children aged 14 to 15 may be permitted to work with written parental consent and permission from the Ministry of Labor. All persons under 18 years of age are prohibited from night work, dangerous work and full-time work.

The Children's Code (September 10, 1996) prohibits a person of 14 years of age or less from working, even with parental permission, and establishes prison sentences of 3 to 5 years for individuals who allow children to work illegally. An employer who legally hires a 14 or 15-year-old must certify that the young person has finished or is finishing compulsory schooling. The majority of the violations of the children's code occur in the agricultural sector and informal economy. Additional information about Honduran labor legislation, including copies of the laws themselves, can be found (in Spanish only) at



<http://www.leylaboral.com> and <http://www.trabajo.gob.hn/biblioteca-y-documentos/leyes/codigo%20de%20trabajo%20y%20sus%20reformas.pdf>.

In 2010, the Honduran National Congress passed a Temporary Employment Law, which established the country's first legal basis for hiring employees on a temporary basis.

### Foreign-Trade Zones/Free Ports

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There are no known export subsidies provided by the Honduran government, but it provides tax exemptions to firms in free trade zones. The Temporary Import Law (RIT) allows exporters to introduce raw materials, parts and capital equipment (except vehicles) into Honduras exempt from surcharges and customs duties if the input is to be incorporated into a product for export (up to five percent can be sold locally). Export processing zones can be established anywhere in the country, and companies operating in export processing zones are exempt from paying import duties and other charges on goods and capital equipment. In addition, the production and sale of goods within export processing zones are exempt from state and municipal income taxes for the first 10 years of operation. Companies operating in an export processing zone are permitted unrestricted repatriation of profits and capital and have access to onsite customs facilities. However, companies are required to purchase the Lempiras needed for their local operations from Honduran commercial banks or from foreign exchange trading houses registered with the Central Bank.

Most industrial parks and export processing zones are located in the northern Department of Cortés, with close access to Puerto Cortés, Honduras's major Caribbean port, and San Pedro Sula, Honduras's major commercial city and a transportation crossroads. Industrial parks and export processing zones are treated as offshore operations. Therefore, customs duties must be paid on products manufactured in the parks and sold in Honduras. In addition, if Honduran inputs are used in production, they are treated as exports and must be paid for in U.S. dollars. While most companies that operate in these parks are involved in apparel assembly, the government and park operators have begun to diversify into other types of light industry, including automotive parts and electronics assembly.

Privately-owned tourism zones may be established to promote the development of the tourism industry in Honduras. The law allows for the free importation of equipment, supplies, and vehicles to businesses operating in designated tourism zones with certain restrictions (see the description of the tourism law, above). Additional information on Honduran FTZs and export processing zones is available from the Honduran Manufacturers Association at <http://www.ahm-honduras.com>.

### Foreign Direct Investment Statistics

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Table 1: Foreign Direct Investment Flows by Country of Origin  
(Millions of Dollars)

Countries	Years		
	2008 r	2009 p	2010 e
NORTH AMERICA	530.4	515.2	491.9
UNITED STATES OF AMERICA	448.8	347.1	325.3

CANADA	51.2	23.8	116.5
MEXICO	30.4	144.3	50.0
CENTRAL AMERICA	58.1	32.6	82.6
COSTA RICA	2.5	5.9	37.7
EL SALVADOR	2.6	10.4	4.5
GUATEMALA	44.4	12.8	39.2
NICARAGUA	8.6	3.5	1.1
CARIBBEAN	8.3	60.1	22.4
BERMUDAS	2.8	4.4	13.9
BAHAMAS	5.9	33.9	7.7
BRITISH VIRGIN ISLANDS	-0.4	21.9	0.8
EUROPE	384.1	-91.3	176.7
UNITED KINGDOM	72.4	-89.4	57.6
HOLLAND	1.4	-11.6	-1.1
GERMANY	2.5	-19.0	27.7
SWITZERLAND	-0.6	9.3	52.1
ITALY	1.5	1.7	0.8
FRANCE	33.4	0.0	6.3
IRELAND	273.5	17.7	33.4
ASIA	5.0	5.1	2.7
REPUBLIC OF KOREA	3.3	2.4	1.2
TAIWAN	1.1	2.7	1.0
CHINA	0.6	-0.1	0.6
OTHER COUNTRIES	20.4	1.4	21.2
TOTAL	1,006.4	523.2	797.4

Source: Central Bank of Honduras, r/Actual, p/Preliminary, e/Estimated

Table 2: Foreign Direct Investment Flows by Industry Sector Destination  
(Millions of Dollars)

INDUSTRY SECTOR	2008 r	2009 p	2010 e
Transport,, Warehousing, and Communications	537.4	360.4	267.0
Manufacturing Industry	129.3	60.6	123.8
Maquila	137.4	42.3	244.2
Services	140.6	52	98.2
Construction	27.4	9.4	6.3
Mining and Quarries	0.0	12.4	3.2
Agriculture, Forestry, Hunting, and Fishing	3.5	1.9	18.4
Electricity, Gas, and Water	16.5	2.7	18.5
Commerce	14.3	-18.5	17.5
TOTAL	1,006.4	523.2	797.4

Source: Central Bank of Honduras, r/Actual, p/Preliminary, e/Estimated

## Web Resources

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Economic Commission for Latin America  
and the Caribbean (CEPAL)

<http://www.eclac.cl>

Honduran Central Bank  
Honduran Association of Banking Institutions  
Ministry of Industry and Trade  
FIDE  
National Banking & Insurance Commission  
Overseas Private Investment Corporation  
Honduran Manufacturing Association  
Central America Security Exchange (BCV)  
FUNDAHRSE

<http://www.bch.hn>  
<http://www.ahiba.hn>  
<http://www.sic.gob.hn>  
<http://www.hondurasinfo.hn>  
<http://www.cnbs.gov.hn>  
<http://www.opic.gov>  
<http://www.ahm-honduras.com>  
<http://www.bcv.hn>  
<http://www.fundahrse.org>

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
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### How Do I Get Paid (Methods of Payment)

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Among the payment methods commonly used for international trade transactions are open accounts, commercial letters of credit, cash against documents, factoring, and cash in advance. Factoring, cash in advance and irrevocable payment undertakings, such as letters of credit confirmed by U.S. banks, are two of the most frequently used methods of payment for U.S. exporters selling to Honduran firms (particularly in transactions of significant value). A third party, such as the Export-Import Bank of the United States, should insure open account transactions. It is highly discouraged to sending shipments without agreeing to payment terms in advance and receiving proper bank documents.

### How Does the Banking System Operate

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The Honduran banking system, currently comprised of 17 private banks, includes financial intermediaries, one securities exchange, brokerages, credit operators, and foreign exchange houses. In recent years, it has experienced significant growth, consolidation, and regional expansion. CAFTA-DR implementation has encouraged U.S. corporate groups such as GE Finance and Citigroup to finalize important acquisitions as part of their investment and expansion strategies for emerging markets.

Total assets in the Honduran financial system in 2010 were USD 12,438 billion, and in 2011 were USD 14,156 billion. Banks account for 98 percent of total assets in the financial system. The minimal capital requirement to operate a bank is Lps. 300 million (\$15.8 million) per resolution 633/12-05-2009. Average interest rates for local currency in the banking system were 14.16 percent for 2011. Average interest rates in US dollars were 7.73 percent in 2011.

In September 2004, at IMF insistence, the Honduran government passed four banking reform laws aimed at strengthening the nation's financial system. The Central Bank reform law, which took effect on September 22, 2004, changes the structure of the Central Bank's Board of Directors, provides greater flexibility in the areas of exchange rate policy, monetary policy, and liquidity management, and provides for a stronger capitalization of the Central Bank from the central government. The Banking Commission reform law and the FOSEDE reform law transfer the responsibility for the restitution of troubled banks from FOSEDE to the Banking Commission. The Financial System law (Decree No. 129-2004) delineates the responsibilities of the Banking Commission and the Central Bank to supervise and regulate the country's financial

sector. The overriding objective of the law is to bring Honduran financial sector regulation into compliance with the internationally recognized Basel core principles for effective banking supervision. The law also strengthens the previously ineffective national credit bureau and imposes new restrictions on bank ownership and management.

There are few legal barriers to entry in the banking sector, but the small size of the market has meant that most foreign investment has been in regional, rather than Honduran-only, banks. Several banks have majority foreign ownership including Banco Citibank de Honduras, S.A., HSBC (acquired in 2012 by the Colombian bank Davivienda Bank S.A.), BAC/Credomatic, LAFISE, Azteca, Promerica, ProCredit, and BanPais.

Debt relief under the enhanced HIPC Debt Initiative from all of Honduras' creditors will surpass \$3 billion over time, including over \$1 billion in new debt relief approved in 2007 by the Inter-American Development Bank (IDB). The IDB will provide debt relief under the enhanced HIPC Debt Initiative amounting to USD 98 million in NPV terms (approximately \$118.9 million in debt service relief) to be delivered from 2000 through 2012. The International Monetary Fund (IMF) will provide debt relief of SDR 22.66 million (\$ 30.3 million) in net present value (NPV) terms on payments falling due to the IMF during 2001-07. The remaining bilateral and multilateral creditors are also expected to provide their share of relief required under the enhanced HIPC Initiative.

## **Foreign-Exchange Controls**

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Until early 1990, Honduras maintained a fixed official exchange rate of 2 Lempiras to the U.S. dollar. In March 1990, with the passage of a sweeping economic reform package, the Central Bank of Honduras devalued the lempira vis-a-vis the dollar, and later permitted it to float within a managed band devaluating at approximately 4 percent per year. The official exchange rate has been held fixed at 18.9 Lempiras to the dollar since 2005.

In 2011, the Central Bank of Honduras (BCH) abandoned the de facto fixed exchange rate that had been in place since 2005 and reintroduced a crawling peg that allows the Lempira to fluctuate by 7 percent against the U.S. dollar in either direction (Resolution No. 284-7/2011). The BCH mandated that the crawling peg is subject to the further restriction that any daily price be no greater than 100.075 percent of the average for the prior 7 daily auctions. This secondary restriction limits devaluation to a maximum of approximately 4.8 percent annually (assuming the maximum devaluation daily). The exchange rate has changed very little under the crawling peg. The Central Bank initially had a very difficult time meeting demand for U.S. dollars, and foreign exchange reserves declined following the introduction of the crawling peg. However, the level of reserves had begun to recover by the end of 2011. The Central Bank uses an auction system to regulate the allocation of foreign exchange. Regulations governing the auction system were published on November 26, 2007.

In 1994, the Central Bank established an auction system to regulate the allocation of foreign exchange more tightly and improve transparency of foreign exchange transactions. Commercial banks are now required to sell 50 percent of repatriated foreign exchange earnings to the Central Bank each night.

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[http://www.iadb.org/countries/home.cfm?lang=en&id\\_country=ho](http://www.iadb.org/countries/home.cfm?lang=en&id_country=ho)

Long term financing for infrastructure, industrial initiatives, and other major projects is available from both U.S. and international entities. Multilateral organizations such as the Inter-American Development Bank and the World Bank are active players in development and project financing in Honduras, along with affiliated institutions such as the Inter-American Investment Corporation (IIC) and the International Finance Corporation (IFC), respectively. The Central American Bank of Economic Integration (CABEI) is also a leading source of multilateral financing.

The United States Export-Import Bank (Ex-Im Bank) guarantees the repayment of loans, or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders but assumes risks they cannot accept. Ex-Im Bank is not a development bank, and therefore looks for reasonable reassurance of repayment in all transactions.

Long-term financing is generally available only through special lines of credit that select commercial banks have with Central American Bank for Economic Integration. The programs that are available concentrate on export projects, including export processing zones and industrial parks.

The U.S. Department of Agriculture (USDA) provides credit guarantees for a wide range of agricultural and products exported from the United States, as well as export bonuses for selected products under the Export Enhancement Program and the Dairy Export Incentive Program. The USDA financing programs are aimed at encouraging U.S. agricultural exports.

The U.S. Small Business Administration (SBA) provides financial and business development assistance to encourage and help small business develop export markets. SBA offers both loans and loan guarantees.

The U.S. Trade Development Agency (TDA) provides grant loans for pre-feasibility studies overseas on projects with high U.S. products and services export potential.

Assistance from the Overseas Private Investment Corporation (OPIC) is available for new investments, privatization, and for expansions and modernization of existing plants sponsored by U.S. investors. The investors must contribute additional capital for modernization and/or expansion to be eligible. Financing is not available for projects that can secure adequate financing from commercial sources.

## **Web Resources**

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

Central American Bank for Economic Integration: <http://www.bcie.org>

Honduran Association of Banking Institutions: <http://www.ahiba.hn>

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## Chapter 8: Business Travel

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### Business Customs

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In Honduras, written contracts are used as a means to formalize verbal agreements between trusted colleagues. Unlike the United States, personal relationships are important in creating and maintaining business ties and avoiding possible disputes. As a result, Honduran businesspeople build life-long relationships and establish close links with clients or customers, creating a reciprocal feeling of obligation and desire to assist.

Since Hondurans are hospitable and gracious hosts, the closing of a business deal is similar to a social activity. As a result, many Americans find that going straight to the point when negotiating with Hondurans is not well received. When meeting with Honduran counterparts, it is often best to move into business matters gradually. After the courtesy formalities have been taken care of, meetings generally turn to a more concrete discussion of business. Hence, business negotiations tend to be slower and more drawn out in Honduras, placing more emphasis on relationships than conducting a business transaction.

As far as punctuality is concerned, Hondurans tend to be more relaxed than Americans. Waiting for meetings is not unusual. While Americans take pride in timeliness, keeping a schedule is not as important in Honduras. It is necessary to understand that this approach to scheduling and punctuality is a cultural aspect of Honduras, and should not be taken as discourtesy or disinterest.

### Travel Advisory

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One important issue to keep in mind when visiting Honduras is security. Street crime is a principal concern, with theft, pick pockets, and armed robberies in urban areas on the rise. In addition, armed car and home robberies have been a problem. As a precaution, one should avoid wearing excessive jewelry and visibly carrying cellular phones, valuables or large sums of money when walking in downtown areas. In the event that one's passport is stolen or lost, or that one experiences a threatening situation, it should be reported immediately to the local police and the US Embassy's Consular Section.



Americans living or traveling in Honduras are encouraged to register with the U.S. Embassy through the State Department's travel registration website <http://travelregistration.state.gov> so that they can obtain updated information on travel and security within Honduras.

Additional information is also available through the State Department's Consular Information page for Honduras at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1135.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1135.html) and the Embassy webpage: <http://honduras.usembassy.gov>. The Consular Section in Tegucigalpa is open for U.S. citizens' services Mondays through Thursdays (except on U.S. and Honduran holidays) from 7:30 am to 4:30 pm., and from 8:00 am to 3:00 pm on Fridays.

## Visa Requirements

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A U.S. passport valid for at least six months from the date of entry is required to enter Honduras. A visa is not required for American citizens, but tourists must provide evidence of return or onward travel. Immigration officials at the first port of entry determine the length of stay, up to a maximum period of 90 days.

For additional information regarding travel to Honduras, please contact the Honduran Embassy in Washington D.C. located at 3007 Tilden Street N.W., Washington D.C. 20008, tel. (202) 966-7702. In addition, Honduran Consulates are located in the following cities: Atlanta, Chicago, Houston, Los Angeles, Miami, New York, New Orleans, San Francisco, San Juan, and Tampa. For additional inquiries, please visit the Honduran Embassy's website at <http://www.hondurasemb.org>.

### 1. Visas for Investors

Individuals interested in investing in Honduras should approach the nearest Honduran consulate or the Honduran Embassy in Washington. If already in Honduras, residence visa applications are conducted through the General Immigration Directorate.

According to Executive Order No. 8, the following procedures have been developed to facilitate the entrance into Honduras for foreigners who wish to invest in agricultural, agribusiness, industrial, tourism and export projects, in accordance with government promotion and investment policies and the Export Processing Zone Law:

Art. 3: All citizens of countries with whom the Government of Honduras has established diplomatic relations are eligible for investors' visas. Others may also be eligible if they are involved in an investment initiative proposed by one of the following local institutions: Honduran Private Enterprise Council (COHEP), Foundation for Investment and Development of Exports (FIDE), National Industry Association (ANDI), or National Chambers of Commerce and Industry.

Art. 4: The classification of the "Visa for Investors" is as follows:

- a) Investor's Type 1 Visa: issued to the investors and their dependents.
- b) Investor's Type 2 Visa: issued to technicians and specialized workers, their spouses and their economic dependents.

Art. 6: The application for the visa must be submitted personally or by a legal representative, and must contain the following specific information:

- a) Complete name of the applicant.
- b) Nationality and permanent residence.
- c) Purpose of the visit.

The following documents must be included in the application:

- a) Current passport.
- b) Bank or Commercial references.
- c) Evidence or proof of the investor's intentions.

Art. 8: The bearer of a Type 1 visa will be granted a three-month visa to remain in the country. This visa may be extended up to a maximum period of one year. Those with a Type 2 visa will be authorized an initial period of one month, which can be extended up to a maximum of six months.

Art. 12: Bearers of such visas will be able to receive all the benefits established under the Export Processing Zone Law.

## **2. Residence**

The application for residence may be done outside of Honduras through a Honduran consulate, or through the Ministry of Government and Justice. The residence registration process takes about three to four months. Among the documents required to apply for Honduran residence are:

- a) Health Certificate (original and copy).
- b) Police Department Certificate (original and copy).
- c) Letter of Employment (original and copy).
- d) Two Photos.

The residence card must be renewed every year.

For more information on Permanent Residency and Special Permanent Residency please visit the Honduran Embassy's website at:

<http://honduras.usembassy.gov/acs?hondresid.html>

## **3. Work Permit**

The following procedures are required in order to obtain a work permit in Honduras:

- a) Obtain Honduran residence. While the application for residence is in process, a temporary work permit can be requested through the Ministry of Labor.
- b) Provide the following information to the Ministry of Labor:
  - 1) A list of names of all the employees working for the company and their corresponding nationalities.
  - 2) A letter of employment and the type of job offered.

3) A work contract stating the position the foreign employee will execute.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website:

<http://travel.state.gov/visa/index.html>

US Embassy in Tegucigalpa:

<http://honduras.usembassy.gov/visas.html>

## **Telecommunications**

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Telephone service is adequate. Direct-dial, long-distance calling within Honduras and to the U.S. and several other countries is available. Costs are based on the destination, and rates are available through operator assistance. Four mobile telephone providers currently operate in Honduras.

Radio reception is satisfactory. U.S.-style music is featured on several stations, but news is exclusively in Spanish. A good short-wave radio is necessary to receive American stations and international broadcasts, including the Voice of America (VOA). The Embassy's Public Affairs Section has schedules and program information.

Twelve local TV stations can be seen in Honduras, all with Spanish-language programming. Some local companies offer cable service with a wide range of stations, including major U.S. networks and entertainment-oriented stations.

Four daily Spanish-language newspapers are published in Tegucigalpa and San Pedro Sula. Major sources of English-language news are the Latin American air express editions of the Miami Herald, the New York Times, the Wall Street Journal, the Washington Post, and USA Today, which arrive the day of, or day after, publication. Overseas editions of Time and Newsweek are available at several newsstands or by subscription.

## **Transportation**

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Passenger and air-freight services are generally reliable. Three gateway cities (Houston, Miami, and Atlanta) are only two and a half hours by air from Honduras. Direct flights between Honduras and cities in North and Central America are provided by the following international airlines: American Airlines, Continental Airlines, Delta, COPA, Spirit, and TACA Airlines. Isleña Airlines, which belongs to Grupo TACA, connects Tegucigalpa, San Pedro Sula, and La Ceiba with the north coast and the Bay Islands. Other domestic commercial airlines are Central American Airways, CM Airlines and Aerolineas Sosa. Charter service and aircraft rentals (small single- and twin-engine equipment) are available from private flying services operating out of Tegucigalpa, San Pedro Sula, and La Ceiba. Among the airlines having local representation and offering connections to various destinations worldwide are Lufthansa, KLM/Air France, Varig,

British Airways, Alitalia, and Japan Airlines (JAL). Air travelers leaving Honduras are required to pay USD \$34.80 in departure fees.

Passenger ground transportation, including comfortable bus service, is also available to various cities in the country, as well as to some Central American destinations.

Travelers should exercise extreme caution while driving on isolated stretches of road and passing on mountainous curves. Traffic signs, even on major highways, are often inadequate, and streets in the major cities are often unmarked. Honduran roads are generally poorly lit, and vehicles are often driven at night without adequate illumination, and animals and people wander onto the roads at all hours. For these reasons, car and bus travel after dark is strongly discouraged.

Although cabs are often run-down, taxi service is available in the downtown areas of Tegucigalpa and San Pedro Sula and can be hired on an hourly basis. One of the better options for foreign visitors is calling a Radio Taxi, a reliable cab service available in Tegucigalpa (Tel: 2225-5563) and San Pedro Sula (Tel: 2557-5808; 2553-6251; 2557-9147). However, Radio Taxi prices are significantly higher than normal street taxis, and the passenger may have to wait 15 minutes or more beyond the promised arrival time of the taxi. Major hotels and airports in Tegucigalpa and San Pedro Sula offer shuttle service for two to three times the normal rates. Taxis are not metered, so negotiation of the fare before entering is strongly advised. Sharing cabs with strangers is strongly discouraged. Various car rental companies are also available.

## **Language**

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Spanish is the official language of Honduras. A substantial number of Honduran professionals and business executives speak English, and many high government officials and private sector leaders were educated in the United States. English is often spoken in the Bay Islands.

## **Health**

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**Medical Services:** Medical care in Honduras varies greatly in quality and availability. Outside Tegucigalpa and San Pedro Sula, medical care is inadequate to address complex situations. Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not accepted for hospital admission, physician service, or medical testing in Honduras. The Medicare/Medicaid program doesn't provide for payment of medical services outside of the United States. Check with your insurance company to confirm whether your policy applies overseas, including provisions for medical evacuation. In addition, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas. Emergency services may be contacted directly through their local numbers, including the national emergency line, \*199.

**Drinks:** Drinking water must be boiled and filtered. Travelers are strongly encouraged to avoid drinking tap water or a beverage that contains ice from an unknown source. Purified water can be purchased in major cities and smaller towns. Bottled drinks are considered safe.

**Food:** It is recommended that individuals traveling to Honduras avoid eating untreated raw vegetables, fruits that can't be peeled on the spot, and raw fish. Meats should be cooked well. Most well-known restaurants are considered safe.

**Health:** Individuals traveling to Honduras should ensure that all their routine vaccinations are up to date. The main health hazards include AIDS, malaria, dengue fever, dysentery, parasites, hepatitis A and B, typhoid, and rabies. There have been reports of cholera as well, although not in epidemic proportions. A malaria suppressant should be taken if traveling to coastal regions or rural areas for extended stays. Heat and sun exposure are also hazards. Take care to use sunscreen and avoid dehydration.

**Pollution:** Severe air pollution, which can aggravate or lead to respiratory problems, is common throughout the country during the dry season due in large part to widespread forest fires and agricultural burning. Travelers with respiratory or cardiac conditions and those who are elderly or extremely young are at greatest risk for complications from air pollution, including coughing, difficulty breathing, wheezing, or chest pain.

For additional information please visit the Department of State's Consular Information Sheet (CIS) for Honduras at: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1135.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1135.html). Specific in-country information is also available at <http://honduras.usembassy.gov> following these links: FAQ, then Crime & Security, then Consular Information Sheet.

#### **Local Time, Business Hours, and Holidays**

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**Local Time:** Honduras does not switch to Daylight Savings Time. Therefore, for six months out of the year, Honduras is 2 hours behind Eastern Standard Time. For the rest of the year, Honduras is only 1 hour behind Eastern Standard Time. For current time please go to: <http://www.timeanddate.com/worldclock/city.html?n=245>.

**Business Hours:** Business hours for commercial and industrial offices are between 8:00 a.m. and 6:00 p.m., Monday through Friday. Manufacturing plants and construction sites start at 7:00am and close between 4:00 p.m. and 5:00 p.m. Banks are open to the public at 9:00 a.m. and close at 6:00 p.m. Drive-through banking closes at 8 pm. Some banks have ATMs that are open all night, though tourists should avoid taking money out after dark for security reasons. Working hours in the public sector usually are from 8:00 am to 4:00 pm.

The following list of Honduran and American holidays will be observed as a day of leave for all Embassy employees during 2012:

<b><i>Date</i></b>	<b><i>Day of the Week</i></b>	<b><i>Holiday</i></b>
January 1	Sunday	New Year's Day (Obs. on Jan 2)
January 16	Monday	Martin Luther King's Junior
February 20	Monday	President's day
April 5	Thursday	Holy Thursday
April 6	Friday	Good Friday
April 7	Saturday	Easter Saturday
April 14	Saturday	Day of the Americas
May 1	Tuesday	Honduran Labor Day
May 28	Monday	Memorial Day

July 4	Wednesday	Independence Day
September 3	Monday	Labor Day
September 15	Saturday	Central American Independence Day
October 8	Monday	Frcó Morazan's Bday/Columbus day
October 15	Monday	Discovery of America
October 21	Sunday	Honduran Armed Forces Day
November 12	Monday	Veteran's Day
November 22	Thursday	Thanksgiving Day
December 25	Tuesday	Christmas Day
January 1, 2013	Tuesday	New Year's Day

### Temporary Entry of Materials and Personal Belongings

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The Temporary Import Law (RIT), enacted in 1984, allows exporters to introduce raw materials, parts, and capital equipment into Honduran territory exempt from surcharges and customs duties as long as the material or part is to be incorporated into a product that is exported outside of the country. This law also provides a 10-year tax holiday on profits from these non-traditional exports, under certain conditions. Interested parties may obtain authorization for this program through the Ministry of Industry and Trade. Amendments made to the RIT law in 1997 allow manufacturers to export their products into other Central American countries. These amendments also enable local importers to resell the machinery and equipment no longer needed, by paying an import duty based on its C.I.F. value.

Companies that do not operate in free trade zones or export processing zones fall under the jurisdiction of the Temporary Import Law. At present, over 500 companies are incorporated into the RIT program.

Temporary entry requirements for goods such as commercial samples, sales displays and other items for use at exhibits and trade shows are established under Article 73 of the Honduran Customs Law, Decree 212-87. Customs legislation allows duty free admission of such products, as well as for items to be used for scientific and entertainment purposes, for up to 3 months. This temporary entry authorization can also be extended for the same period of time, if necessary. Temporary import requirements also apply under Article 74 of the Honduran Customs Law for a period of up to 6 months, such as in the case of products to be used in the execution of construction projects, tourism and recreational activities, and other special private and public works. Temporary entry is granted upon making a deposit equivalent to the import duty applicable to the specific product. The guarantee is refunded at the time of the product's re-exporting.

Additional information on temporary entry of materials and personal belongings is available at:

#### **Dirección General de Sectores Productivos**

Address: Edif. San José, Blvd. José Cecilio del valle

Tel: (504) 2235-3707; 2235-8529

E-mail: [margenal@sic.gob.hn](mailto:margenal@sic.gob.hn)

[http://www.sic.gob.hn/sectores/regimen\\_importación\\_temporal.html](http://www.sic.gob.hn/sectores/regimen_importación_temporal.html)

**Departamento De Regímenes Especiales de la  
Dirección Ejecutiva de Ingresos (DEI)**

Edificio Plaza Morazán, Tegucigalpa

Tel: (504) 2220-0967; 2221-477

**Web Resources**

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- US Embassy in Tegucigalpa, Honduras: <http://honduras.usembassy.gov>
- Consular Information Sheet (CIS): <http://travel.state.gov/travel/cis>
- State Department Visa Website: <http://travel.state.gov/visa/index.html>
- Dirección Ejecutiva de Ingresos: <http://www.sic.gob.hn>

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## Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

### Contacts

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#### A. Honduran Government Agencies

##### ***Presidential Palace***

Porfirio Lobo Sosa, President of the  
Republic of Honduras  
Palacio José Cecilio del Valle  
Blvd. Juan Pablo II  
Tegucigalpa, M.D.C.  
Tel: (504) 2221-4545  
Fax: (504) 2221-4570  
<http://www.presidencia.gob.hn>

##### ***Central Bank of Honduras***

Maria Elena Mondragón, President  
Edif. Banco Central  
Apdo. Postal 3165  
Tegucigalpa, M.D.C.  
Tel: (504) 2237-1677, 2237-2270  
Fax: (504) 2237-6261  
<http://www.bch.hn>

##### ***Ministry of Foreign Affairs***

Arturo Corrales, Minister  
Antigua Casa Presidencial, ½ cuadra al norte de la  
Corte Suprema de Justicia  
Tegucigalpa, M.D.C.  
Tel: (504) 2234-4971; 2234-4921  
Fax: (504) 2234-1484  
<http://www.sre.gob.hn>  
E-mail: [consultas@sre.gob.hn](mailto:consultas@sre.gob.hn)

##### ***Ministry of Industry and Commerce***

José Adonis Lavaire, Minister  
Edif. Fenaduana, 4to Piso, Blvd Kuwait  
Tegucigalpa, M.D.C.  
Tel: (504) 2235-3699, 2235-4089  
Fax: (504) 2235-3686  
<http://www.sic.gob.hn>



***Ministry of Finance***

Héctor Guillén, Minister  
Secretaría de Finanzas  
Tegucigalpa, M.D.C.  
Tel: (504) 2222-8701, 2222-1211/78  
Fax: (504) 2238-2309  
<http://www.sefin.gob.hn>

***Ministry of Public Works, Transportation and Housing***

Miguel Rodrigo Pastor, Minister  
Bo. La Bolsa, Comayaguela, M.D.C.  
Tel: (504) 2225-0994; 2225-2690; 2225-3614/0691  
Fax: (504) 2225-5003  
<http://www.soptravi.gob.hn>

***Ministry of Security***

Pompeyo Bonilla, Minister  
Cuartel General de Casamata, Subida al Picacho  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2220-4298; 2220-4299  
Fax: (504) 2220-1711  
<http://www.seguridad.gob.hn>

***Ministry of Agriculture and Livestock***

Jacobo Regalado Weinzemblut, Minister  
Blvd. Centroamérica, Ave. La FAO  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2239-8394, 2231-1921  
Fax: (504) 2232-5375  
<http://www.sag.gob.hn>

***Ministry of Natural Resources and Environment***

Rigoberto Cuellar Cruz, Minister  
Frente al Birichiche, 100 mts al Sur Estadio Nacional  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2232-1386; 2239-4296; 2235-7833  
Fax: (504) 2239-2011  
<http://www.serna.gob.hn>

***Ministry of Labor and Social Security***

Felícito Avila Ordóñez, Minister  
Edif. La Hacienda, Blvd. La Hacienda  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2235-3458; 2232-3918  
Fax: (504) 2235-3455  
E-mail: [info@trabajo.gob.hn](mailto:info@trabajo.gob.hn)  
<http://www.trabajo.gob.hn>

***National Banking & Insurance Commission***

Abog. Vilma Cecilia Morales Montalván, President  
Edif. Santa Fé, Col. Castaño Sur  
Paseo Virgilio Zelaya Rubí, Bloque 'C'  
Tegucigalpa, Honduras  
Tel: (504) 2290-4500  
<http://www.cnbs.gov.hn>

***Ministry of Tourism***

Nelly Karina Jerez, Minister  
Col. San Carlos, 5 Piso, Edif. Europa  
Tegucigalpa, Honduras  
Tel: (504) 2222-2124; 2222-1183; 2222-4002  
Fax: (504) 2238-2102; 2222-6642  
Email: [tourisminfo@iht.hn](mailto:tourisminfo@iht.hn)  
<http://www.letsghonduras.com>  
<http://www.iht.hn>

***Ministry of Health***

Arturo Bendaña, Minister  
2 Clle., Ave. Cervantes  
Tegucigalpa, Honduras  
Tel: (504) 2222-8518, 2222-5771 Ext. 1055  
Fax: (504) 2222-6787  
<http://www.salud.gob.hn>

***Technical Ministry of Planning and International Cooperation***

(Secretaría Técnica de Planeación y Cooperación Externa)  
Julio Raudales, Minister  
Centro Cívico Gubernamental, Blvd. FFAA, Contigio a Chiminike  
Tegucigalpa, Honduras  
Tel: (504) 2230-7000  
Fax: (504) 2239-5277  
<http://www.seplan.gob.hn>

***Ministry of Culture, Arts and Sports***

Tulio Mariano Gonzáles, Minister  
Col. Palmira, Edif. Castillo y Poujol  
Tegucigalpa, Honduras  
Tel: (504) 2235-6272;  
Fax: (504) 2236-6455  
<http://www.scad.gob.hn>

***Ministry of Education***

Marlon Escoto, Minister  
1ra Ave., entre 2-3 Clle.  
Comayaguela, M.D.C., Honduras  
Tel: (504) 2238-4325; 2238-4260  
Fax: (504) 2222-8571  
<http://www.se.gob.hn>

**Civil Aviation Directorate**

Manuel Enrique Cáceres Díaz, Director  
Aeropuerto Internacional Toncontín  
P.O. Box 30145  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2234-0263; 22346853  
Fax: (504) 2233-1115  
<http://www.dgachn.org>

**Empresa Hondureña de Telecomunicaciones (HONDUTEL)**

Romeo Vásquez Velásquez, General Manager  
Final Blvd. Morazan, atrás de Bigos, Edif. Los Almendros  
P.O. Box 1794  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2 238-5614; 2238-5608  
Fax: (504) 2238-5614  
<http://www.hondutel.hn>

**Servicio Autónomo Nacional de Acueductos y Alcantarillados (SANAA)**

Danilo Alvarado, General Manager  
1 Ave., 13 Calle, Comayaguela  
P.O. Box 437  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2237-8551  
Fax: (504) 2237-8552  
<http://www.sanaa.hn>

**Empresa Nacional de Energía Eléctrica (ENEE)**

Emil Hawit, General Manager  
Edif. EMAS, 4to Piso, Bo. El Trapiche  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2235-2934  
Fax: (504) 2235-2969  
<http://www.enee.hn>

**National Port Authority**

José Darío Gamez, General Manager  
Puerto Cortés, Cortés, Honduras  
Tel: (504) 2665-0987  
Fax: (504) 2665-1402  
<http://www.enp.hn>

**Municipality of Tegucigalpa**

Ricardo Alvarez, Mayor  
Frente al Parque Central  
Tegucigalpa, M.D.C.  
Tel. (504) 2220-0108  
Fax: (504) 2222-0242  
<http://www.lacapitaldehonduras.com>

***Municipality of San Pedro Sula***

Juan Carlos Zúniga, Mayor  
P.O. Box 663  
Bo. El Centro, 4 y 5 Ave.  
San Pedro Sula, Honduras  
Tel: (504) 2550-6029; 2552-1588; 2552-1633  
Fax: (504) 2557-3556/2844  
<http://www.msps.hn>

***Honduran Fund for Social Investment (FHIS)***

Miguel Edgardo Martínez, Director  
Edificio IPM  
Apartado Postal 3581  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2233-1730, 2234-5231-37  
Fax: (504) 2234-5255  
<http://www.fhis.hn>

**B. Country Trade Associations /Chambers of Commerce**

***Honduran American Chamber of Commerce (AMCHAM)***

José Eduardo Atala, President  
Aracely Batres, Executive Director  
7mo Piso, Torre Alianza, Col. Lomas del Guijarro Sur  
P.O. Box # 1838  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2271-0094/95/96  
Fax: (504) 2271-0094  
<http://www.achamhonduras.org>

***Foundation for Investment and Development of Exports (FIDE)***

Lic. Vilma Sierra de Fonseca, Executive President  
P.O. Box # 2029  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2221-6303  
Fax: (504) 2221-6318  
E-mail: [info@fidehonduras.com](mailto:info@fidehonduras.com)  
<Http://www.hondurasinfo.hn>

***Federation of Agricultural Producers and Exporters (FPX)***

Medardo Galindo, General Manager  
P.O. Box # 236  
San Pedro Sula, Cortés, Honduras  
Tel: (504) 2566-0139  
Fax: (504) 2566-3852  
<http://www.fpxhn.net>

***Honduran Association of Municipalities (AMHON)***

Danilo Castillo, Executive Director  
Edif. Principal AMHON, Paseo La Reforma  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2238-3950; 2238-5227  
Fax: (504) 235-3345/44  
E-mail: [amhoncomunicaciones@gmail.com](mailto:amhoncomunicaciones@gmail.com)  
<http://www.amhon.hn>

***Honduran Council for Private Enterprise (COHEP)***

Santiago Ruiz, President  
Armando Urtecho, Executive Director  
P.O. Box 3240  
Col. Tepeyac, Calle Yoro, Edificio #8  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2235-3336  
Fax: (504) 2235-3345/44  
E-mail: [presidencia@cohep.com](mailto:presidencia@cohep.com)  
<http://www.cohep.com>

***National Honduran Association of Exporters (ANEXHON)***

Lic. Roberto Panayotti, President  
Industrias Panavisión, Salida nueva a La Lima  
Fte. Sigmanet, contiguo a Plaza 1, fte. a Diunsa  
San Pedro Sula, Cortés, Honduras  
Tel: (504) 2553-3029  
Fax: (504) 2557-0203  
Email: [Roberto@ipsa.hn](mailto:Roberto@ipsa.hn)

***Construction Industry Chamber (CHICO)***

José Alejandro Alvarez, President  
Silvio Larios, General Manager  
P.O. Box # 905  
Col. Castaño Sur, Ave. Virgilio Zelaya Rubí, Bloque C #19  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2239-2028; 2239-2039; 2239-2029  
Fax: (504) 2239-2028  
<http://www.chicoorg.org>

***Honduran Federation of Chambers of Commerce (FEDECAMARA)***

Amilcar Bulnes, President  
Maribel Espinoza, Executive Director  
P.O. Box # 3393  
Edif. Castañito, 2do Nivel, 6 Ave., Col Los Castaños  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2232-6083  
Telefax: (504) 2232-1870  
Email: [fedecamara.direccion@gmail.com](mailto:fedecamara.direccion@gmail.com)  
<http://www.fedecamara.org>

***Chamber of Commerce and Industry of Tegucigalpa (CCIT)***

Miguel Mourra, President  
Mario Bustillo, Executive Director  
P.O. Box # 3444  
Edif CCIT, Blvd. Centroamerica, contiguo a Emisoras Unidas  
Tegucigalpa M.D.C., Honduras  
Tel: (504) 2232-4200  
Fax: (504) 2232-0159  
E-mail: [asuservicio@ccit.hn](mailto:asuservicio@ccit.hn)  
<http://www.ccit.hn>

***Chamber of Commerce and Industry of Cortés (CCIC)***

Fernando Jaar, President  
Mario Perdomo, Technical Manager  
P.O. Box # 14  
San Pedro Sula, Cortés, Honduras  
Tel: (504) 2566-0345  
Fax: (504) 2566-0344  
E-mail: [ccic@ccichonduras.org](mailto:ccic@ccichonduras.org)  
<http://www.ccichonduras.org>

***National Industry Association (ANDI)***

Ing. Adolfo Facussé, President  
Fernando García, Executive Director  
P.O. Box #3447  
Tegucigalpa, M.D.C.  
Tel: (504) 2232-2221, 2239-1239  
Fax: (504) 2221-5199  
E-mail: [andi@andi.hn](mailto:andi@andi.hn)  
<http://www.andi.hn>

***Honduran Apparel Manufacturers Association***

Daniel Facussé, President  
Edif. Altua Business Park, 12 Piso, Blvd. Armenta  
P.O. Box # 2658  
San Pedro Sula, Cortés, Honduras  
Tel: (504) 2516-9100  
Fax: (504) 2516-9100  
<http://www.ahm-honduras.com>

***Honduran Association of Banking Institutions (AHIBA)***

Roque Rivera, President  
P.O. Box #1344  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2235-6770; 2235-6772  
Fax: (504) 2239-0191  
E-mail: [ahiba@ahiba.hn](mailto:ahiba@ahiba.hn)  
<http://www.ahiba.hn>

***Honduran Mining Association (ANAMINH)***

Santos Gabino Carvajal, President  
Miriam Bueso, Executive Director  
Edif. Plaza Millennium 2ndo Nivel Cubi B Guel 3  
Comaguela, Honduras  
Tel/fax: (504) 2225-3733  
Email: [anaminh@yahoo.com](mailto:anaminh@yahoo.com)  
<http://www.anamimh.hn>

***Association of Meat Importers (AIMCA)***

*Asociacion de Importadores de Carnicos*  
Roberto Prego, President  
Bo. Buenos Aires, 1era y 2nda Ave. 10 Calle, NO, casa No. 109  
San Pedro Sula, Cortes, Honduras  
Tel: (504) 2551-2468; 2551-0664  
Fax: (504) 2551-2468  
E-mail: [repregoocon@yahoo.com](mailto:repregoocon@yahoo.com)

***Honduran Association of Importers and Distributors of Vehicles (AHDIVA)***

Jorge Kafati, President  
Edif. Montecarlo, Col. Montecarlo  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2221-5725; 2235-5001  
Fax: (504) 2239-3796  
E-mail: [ahdiva@amnettgu.com](mailto:ahdiva@amnettgu.com)

***Honduran Association of Importers and Distributors of Petroleum Products (AHDIPPE)***

Mauricio Zablah, President  
Sarahí Silva, Manager  
Residencial Aeropuerto, Ave. Independencia, Bloque H, Lote #1  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2234-2345; Fax: (504) 2233-0660  
E-mail: [ahdippe@amnettgu.com](mailto:ahdippe@amnettgu.com)  
<http://www.ahdippe.org>

***Honduran Association of Shipping Companies and Representatives (AHCORENA)***

Carlos Ysaguirre, President  
Edif. Plaza Local 19A  
1-2 Calle, 1-2 Ave, N.E.  
San Pedro Sula, Cortés, Honduras  
Tel: (504) 2552-4412  
Fax: (504) 2552-4412  
E-mail: [ahcorena@sulanet.net](mailto:ahcorena@sulanet.net)

***National Aquaculture Association (ANDAH)***

Marco Polo Micheletti, Executive Director  
P.O. Box # 229  
Choluteca, Choluteca, Honduras  
Tel: (504) 2782-0986, 2224-0577  
Fax: (504) 2782-3848

***Honduran Chamber of Insurance Companies (CAHDA)***

Pedro Barquero, President  
Tetthey Martínez, General Manager  
P.O. Box # 3290  
Col. San Carlos, Edif. Casa Real, 3er Nivel  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2221-5354  
Fax: (504) 2221-5356  
<http://www.cahda.org>

***Honduran Chamber of Tourism (CANATURH)***

Epaminondas Marinakys, President  
Sue Elen Chavez, Executive Director  
Col. Lomas del Guijarro Sur, Cile. Paris, Ave. Niza #1223  
P.O. Box # 5804  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2232-1927; Fax: (504) 2235-8355  
E-mail: [canaturh@canaturh.org](mailto:canaturh@canaturh.org)  
<http://www.canaturh.org>

***National Federation of Agricultural Producers (FENAGH)***

Leopoldo Durán, Presidente  
Col. Miramontes, Ave. Principal, 7 Cile., #1557  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 2239-1303  
Fax: (504) 2231-1392  
E-mail: [fenagh@fenagh.net](mailto:fenagh@fenagh.net)  
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Please click on the link below for information on upcoming trade events.

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In Honduras:

[www.buyusa.gov/honduras](http://www.buyusa.gov/honduras)

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## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: [www.buyusa.gov/honduras/en](http://www.buyusa.gov/honduras/en)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE.

**We value your feedback on the format and contents of this report. Please send your comments and recommendations to:** [Market\\_Research\\_Feedback@trade.gov](mailto:Market_Research_Feedback@trade.gov)

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